Commissioning Better Outcomes Fund Evaluation

2nd Update Report

Summary Report Targeted at Investors

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Commissioning Better Outcomes Evaluation

Introduction

Background

This report provides a summary for investors of the of the findings since 2016 from the Commissioning Better Outcomes (CBO) Fund evaluation undertaken by Ecorys UK in partnership with ATQ Consultants (ATQ) on behalf of The National Lottery Community Fund.

This report focuses on the key findings that are of relevance and interest for social investors[1] currently involved in, or interested in, social impact bonds (SIBs). It is one of three similar summary reports targeted respectively at commissioners, providers and investors, alongside a more general summary report. Each report aims to identify the main issues for these audiences but a number of issues are of wider relevance and stakeholders may therefore wish to view all three reports. Those with greater and more in-depth interest may also wish to refer to the full Update Report and an accompanying Survey Report on the findings from a survey of key stakeholders. All of these reports are available here.

The CBO Fund is funded by The National Lottery Community Fund, with a mission to support the development of more SIBs and other outcome-based commissioning[2] models in England. The Fund launched in 2013 and closed to new applications in 2016, although it will continue to operate until 2023. The CBO Fund is making up to £40m available to pay for a proportion of outcomes[3] payments for SIBs and similar outcomes-based contractual models in complex policy areas. It also funded support to develop robust proposals and applications to the Fund. The CBO evaluation is focusing on the following three areas:

- Advantages and disadvantages of commissioning a service through a SIB model, the overall added value of using a SIB model and how this varies in different contexts
- Challenges in developing SIBs and how these could be overcome
- The extent to which CBO has met its aim of growing the SIB market in order to enable more people, particularly those most in need, to lead fulfilling lives, in enriching places and as part of successful communities, as well as what more BLF and other stakeholders could do to meet this aim.

This report draws on the main findings from the following work undertaken for the evaluation since the last update report in 2016:

- Stakeholder consultations (4) including telephone and face-to-face consultations with organisations centrally involved in the policy development, strategic development and operational delivery of SIBs in England, and stakeholder engagement meetings and events
- Stakeholder surveys involving e-surveys with commissioners (91 responded) and service providers (77) either involved in or very informed about the SIB agenda; and a qualitative survey with investors (18) , conducted either through face to face or telephone interviews. A full account of the survey findings can be found here.
- In-depth review reports produced for the West London Zone (WLZ) (available here) and HCT Travel Training SIBs (available here)

[1] A social investor is broadly defined as an investor seeking social impact in addition to financial return. Social investors can be individuals, institutional investors, dedicated social investment funds and philanthropic foundations, who invest through their endowment.

[2] Outcomes-based commissioning describes a way to deliver services where all or part of the payment is contingent on achieving specified outcomes. The nature of the payment mechanism in an outcome based contract can vary, and many schemes include a proportion of upfront payment that is not contingent on the achievement of a specified outcome.

[3] An outcome is a result or change experienced by a person, family or community, for example improved parenting.

- The LOUD report (available here), summarising the four factors essential in ensuring whether a SIB is launched
- Tele-consultations with 20 CBO applicants who did not proceed with a SIB
- A review of findings to date from the local evaluations of CBO-funded SIBs
- A review of The National Lottery Community Fund Management Information and internal work
- Review of wider literature

This report includes the following sections:

- Policy context and role of investors in SIBs
- Summary of CBO Fund to date
- Advantages of SIBs
- Disadvantages of SIBs and challenges to their development
- Other SIB observations
- Changes in the SIB landscape since 2014
- Conclusions and recommendations

Policy context

A SIB is essentially a type of payment by results[4] (PbR) contract. Like other types of PbR, a commissioner[5] (usually one or more public sector bodies) agrees to pay for outcomes delivered by service providers[6], and unless those outcomes are achieved, the commissioner does not pay. Where a SIB differs from a PbR contract, is that the providers in the SIB model do not use their own money to fund their services until they get paid – instead, money is raised from 'social investors' who get a return if the outcomes are achieved.

There is no generally accepted definition of a SIB beyond the minimum requirements that it should involve payment for outcomes and any investment required should be raised from social investors.

The Government Outcomes Lab (GO Lab) defines Impact Bonds[7], including SIBs, as follows:

"impact bonds are outcome-based contracts that incorporate the use of private funding from investors to cover the upfront capital required for a provider to set up and deliver a service. The service is set out to achieve measurable outcomes established by the commissioning authority (or outcome payer) and the investor is repaid only if these outcomes are achieved. Impact bonds encompass both social impact bonds and development impact bonds."

The issues of definition, and the fact that new SIBs are launching all the time, makes it difficult to estimate how many current contracts qualify as a SIB, but according to the Government Outcomes Lab (GO Lab) as of April 2019, 68 SIBs had been launched in the UK[8],, more than in any other country These SIBs are being used to tackle a range of social issues including homelessness, youth unemployment and children in care[9].

Since our last update report, quantitative evidence has emerged from other SIB evaluations (including local CBO evaluations and evaluations of other non-CBO SIBs) that suggest that the interventions funded achieved positive outcomes. However, due to the design of the programmes and evaluations it is not possible to determine the extent to which the SIB mechanism itself led to better outcomes in these cases,

[4] Payment by Results is the practice of paying providers for delivering public services wholly or partly on the basis of results achieved.
[5] A commissioner is an organisation which funds or contracts for delivery of a service.
[6] A service provider is an organisation which is contracted or funded to deliver the service.
[7] See https://golab.bsg.ox.ac.uk/the-basics/impact-bonds/
[8] See: https://golab.bsg.ox.ac.uk/knowledge/project-database/
[9] Social Finance, 2016, Social Impact Bonds, The Early Years.

or whether the same outcomes would have been achieved through a standard commissioning approach. The CBO evaluation team will use qualitative research to estimate the extent to which outcome levels can be attributed to the SIB mechanism.

The role of the social investor in SIBs

Although there is debate about the definition of a SIB, and there has been some innovation in the way some SIBs are financed, nearly all involve a social investor providing capital, and this remains the feature that most distinguishes a SIB from other types of contract. However both the role of the social investor in SIBs and the way that capital is provided has evolved since our last update report.

In our last report, we noted that the majority of investors in SIBs fell into two major categories: charitable Foundations and Trusts, who in the main funded providers of services and interventions through grants, but had in some cases chosen also to invest in SIBs; and specialist fund managers, some of whom had set up funds focused wholly or partly on investing in SIBs or similar types of contract. A noticeable shift has been the decline in the number of the former that are still active investors in SIBs, in part (according to our investor survey) because some had decided that SIB investment was no longer appropriate to the social objects of their particular Foundation, and in part because others had decided that their work was done – they had helped establish the sector but are now content to leave it to specialists. In short the market has matured, and the majority of SIB investments are now through specialist funds. A further development is that Big Society Capital (BSC) is no longer investing directly in SIBs, as we noted it had been in some cases in our previous report, and is now fully engaged in its role as a wholesaler; as such it has invested in the majority of specialist SIB funds.

There have also been developments in the way that investors position themselves and choose to invest in SIBs for a range of purposes and using different funding structures. We explore this further in Other Observations below.

Summary of CBO Fund to date

As shown in Table 1 below, as at February 2019 the number of full awards made by CBO to establish a SIB stood at 22. This was against a target set by The National Lottery Community Fund England Committee to support the commissioning of 20 outcomes-based projects.

Table 1: CBO Fund: Summary of progress to 7 February 2019

Task	December 2015 (cumulative total)	December 2016 (cumulative total)	December 2017 (cumulative total)	December 2018 (cumulative total)
CBO EoI agreed	78	83*	87**	87
Development Grants (DG) agreed	51	62	62	62
Full awards agreed by CBO	4	22	28	22
SIBs launched with CBO support	2	5	11***	19****
Commissioners in SIBs in delivery	2	10	20	45
Providers active in delivery	5	11	42	51
Total number of investors *****	1	4	4	8

**7 with no direct DG support ** 11 with no direct DG support. ***1 SIB was only soft launched, delivering from 10.18 ****1 SIB was soft launched delivering from 1.19 *****These are the retail investors in CBO SIBs and do not include wholesale investors/funders such as Big Society Capital*
Source: The National Lottery Community Fund.

A total of eight organisations have invested funds in the 20 live CBO projects. These comprise four social investors, one grant foundation and three service providers.

Benefits and advantages of SIBs from an investor perspective

Investors who were well informed about SIBs and/or had invested in them continued to be broadly positive about them. In our 2017 survey we spoke to 15 current or past investors in SIBs, and three who were considering doing so, and around three fifths of these reported a good or very good experience of their involvement in a SIB. All but one had had a fair experience or better and around four-fifths said that that they would be likely (or very likely) to be involved in a SIB again. Investors reported that they were, in general, getting the social and financial returns that they had expected and forecast (allowing for the usual and expected variations in performance across a portfolio of investments).

The table below summarises the main advantages linked to SIBs for investors as reported by investors, commissioners and service providers either considering, developing or involved in SIBs.

Advantage	Reason for Advantage
Embed an outcomes-focussed culture in providers	This was the single most important advantage of SIBs reported by investors themselves, with the sharper focus on outcomes encouraging service providers to focus on achieving greater impact than would be the case if they were given growth or other investment that was not linked to outcomes, or were funded through a grant. Investors consistently reported that SIBs encouraged – or arguably forced – the investee organisation to pay attention to their outcomes and overall level of social impact. One investor commented that the SIB approach, *"forces a better management structure with an eye on outcomes and financial returns."* Another leading Fund Manager explained that a key motivation for their investors was, *"there is much more precise measurement of outcomes achieved and their value."* This also has benefits for participants receiving the service or intervention, as the provider has a better sense of whether their support is working (and can adapt if not). There is however some evidence[10] to suggest that 'conventional' PbR is equally effective in having this effect, and therefore it is the linking of payment to outcomes rather than the social investment that is the key driver of an outcomes-focused culture.
Increased flexibility in service delivery	Investors saw an advantage in projects where the intervention was not heavily prescribed, because there was scope for the service provider to change the service to meet users' needs – both during the initial service design and in the light of contract performance – to achieve greater social and financial benefits. This again has potential benefits for recipients, as the service can be more responsive and tailored to their needs. It is worth highlighting, however, that flexibility has not always been stated as a benefit and strength across all of the SIBs we have looked at. It can depend on the model adopted and the level of flexibility the commissioner and investor decide to build into the delivery process and payment triggers.

[10] Edmiston, D., & Nicholls, A. (2018). Social Impact Bonds: The Role of Private Capital in Outcome-Based Commissioning. *Journal of Social Policy*, See https://www.cambridge.org/core/journals/journal-of-social-policy/article/social-impact-bonds-the-role-of-private-capital-in-outcomebased-commissioning/83B92D884934604E21EE2A963EB4E11C

Opportunities to test new contractual structures	This includes encouraging cooperation between the parties to a contract, as well as enabling stakeholders to test the effectiveness of new interventions and approaches. Our in-depth review of WLZ demonstrates clearly the potential benefits of a SIB in encouraging greater collaboration and involvement of both commissioners and providers in the approach taken to system change and collective impact, as well as of the use of philanthropic funding alongside social investment.
Provide access to funding that would not otherwise have been available	This is an important motivator for both commissioners and providers to work with social investors in a SIB context. It is the advantage of SIBs cited most often by commissioners and the fourth most often cited by providers. For commissioners, it appears sometimes to reflect a view that they will be able to fund a service that they could not fund themselves (but only if they are confident of making savings later, since they eventually have to make outcome payments); and sometimes that they will be able to transfer the risk of outcomes being achieved to the investor. Our in-depth review of the HCT Travel Training SIB confirms this – both commissioners said that they would not have proceeded with the project without the 'up-front' investor funding.

Disadvantages of SIBs and challenges to their development from an investor perspective

Some of the disadvantages of SIBs and challenges to their development were similar to those we reported in our previous update report at the end of 2016[11]. One significant change is in the increased diversity of SIB development, in large part attributable to the CBO Fund and more recently to the Life Chances Fund. Investors and other stakeholders were previously frustrated that so few SIBs had been developed locally and outside central government programmes; but this had changed, with around half of all SIBs in the UK being locally commissioned. What had not changed was the perception that SIBs were complex and expensive to develop, which our survey showed to be one reason why some investors had backed one SIB but had not invested in another (only three investors surveyed had backed multiple SIBs). However, one interesting development, explored further in Other Observations below, is how some investors had sought to reduce the complexity of SIB structures and also find ways to replicate or adapt previous SIBs, to reduce both the costs and time of development for all parties.

The table overleaf summarises the main disadvantages of, and challenges linked to SIBs for investors, as reported by investors, commissioners and service providers either considering, developing or involved in SIBs.

[11] Available at: https://www.tnlcommunityfund.org.uk/media/research-documents/social-investment/CBO-Update-Report_Summary.pdf?mtime=20190215135745

Challenge	Reason for Disadvantage/Challenge
Complexity	There continue to be a range of issues, highlighted by all stakeholders, that can be loosely grouped as concern about the complexity of SIBs and the challenges this raises for all parties. Our latest research has shown that this issue continues to cause a number of SIBs to be abandoned entirely, and also has consequences for both the time they take to develop (the four SIBs that the evaluation has followed as in-depth reviews so far took between 2 and 3 ½ years to develop; longer than many expected) and the direct costs of development (an average cost of £150,000 for the SIBs we are tracking through in-depth reviews). This is partly due to the technical demands of developing a SIB, but also to the complexities of putting in place arrangements that require engagement with multiple stakeholders with an incomplete understanding of the requirements of introducing a SIB.
Unnecessary cost and complexity from intermediated SIBs in some circumstances	Direct investor criticism of the complexity of SIBs in our 2017 survey tended to focus on SIBs that are loosely described as 'intermediated', where the SIB contract is held by a third party who manages performance and service providers. Some investors interviewed argued that intermediation or independent management of SIB delivery is not always needed and may add unnecessarily to complexity and costs; and where it is needed, it can be done more simply and cheaply by either a lead or prime provider, or the investor themselves. The HCT Travel Training SIB is a good example of a simpler model, where the contract is directly between the commissioner and the provider. However this is very much a case of 'horses for courses'; since some investors reported that the elements of the SIB model that added complexity to the contract were essential to making SIBs work successfully.
Lack of understanding of investors	A key issue that continues to cause challenges for SIB development, and add to the issues around stakeholder engagement, is a lack of understanding of social investors and their motivations and expectations. Despite the efforts of investors and others, including the CBO team in The National Lottery Community Fund, to improve investor engagement and commissioner awareness, there is no evidence in the evaluation that commissioners' overall understanding of investors has increased. In our 2017 survey over a third of commissioners reported that they did not fully understand the role of the investor and almost half of service providers did not fully understand how providers engage with investors/seek investment. Commissioners and service providers reported similar levels of misunderstanding in the 2014 survey wave. In addition, some commissioners interviewed were wary of the role of investors in public sector contracts, misunderstood or were suspicious of their social motivation, and/or were reluctant to pay what investors regarded as a reasonable return for the amount of risk that the investors were being asked to assume Evidence suggests that this challenge could be addressed by greater transparency. Investors we surveyed observed that commissioners changed their attitude when they realised how approachable investors were, while also observing that commissioners (and other stakeholders) often seemed unaware of the way investment works and how it might affect what they ultimately have to pay. The fact that such fundamental misunderstandings are still occurring suggests that suspicion, misconception and misunderstanding would reduce if investors were more open with commissioners and others. It may also reduce if there were clear and easy-to-understand guidance available to commissioners on what investors do and how they do it.

Challenge	Reason for Disadvantage/Challenge
Understanding and interpreting rates of return	A specific aspect of the misunderstanding of investors and investment that continues to be a challenge for SIB development is misunderstanding about the 'returns' that investors expect and how they are expressed. Commissioners and other stakeholders continue to highlight the challenge of understanding how much investors will gain from investing in a SIB; investors counter that 'returns' are difficult to predict and express in simple terms in complex outcomes contracts (see separate section below). Both these arguments have merit, and there appears to be a continuing need for investors to provide clearer information on how they calculate returns (and why they could vary considerably in an outcomes contract). Similarly, commissioners must take steps to understand better how SIB investment is structured, take care in comparing SIB returns with other forms of finance, and ask for clarification in reviewing the investor/intermediary functions (beyond the payment for the capital itself) that these returns are paying for.

Investor returns and positioning

In our last update report we noted that there was limited publicly-available information on investor returns and it is interesting to note that in our 2017 survey larger investors and fund managers in the sample were very willing to tell us what overall rates of return they were targeting, across a portfolio of investments with differing terms. These are important and interesting findings from the research and will, we expect, answer some of the criticism about lack of transparency in this area.

Full details of our findings are in the Survey Report, but we found that target returns per deal range from a maximum of 5-12% at the high end to some investors being happy to break even (especially Foundations who would otherwise give a grant with no expectation of return). The majority of investors are targeting net returns in the range of 4-9%. investors also reported that although some SIBs had under-performed, their SIB investments had in general generated the expected level of financial returns across SIB portfolios.

Investors also provided valuable insights into the criteria they would apply when deciding whether to invest in a SIB. An interesting finding was that while deal size and transaction cost were still sometimes a factor, they were less important than the specifics of the contract and the parties to it. Specifically investors were interested in whether the proposed contract and terms were fair to all parties, with a reasonable balance of risk and reward; that there was a demonstrable level of commitment and interest from the commissioner; and that they could have confidence in the service provider's ability to deliver the intervention and, ultimately, the outcomes – to the extent that the provider's track record was more important than the intervention and the evidence base elsewhere for its effectiveness.

Other SIB observations

As well as the main advantages and disadvantages currently associated with SIBs, our research has revealed that there is a continuing trend towards diversity in what falls under the broad definition of a SIB. This applies to the policy and service areas in which SIBs have been successfully implemented and are currently being developed, the range of interventions that are commissioned and funded using an outcomes-based approach, and the varied operating structures that define the way that individual contracts are pursued, established and managed.

From the investor standpoint, both the investor survey and specific SIBs that we have studied also show increasing diversity in the way finance is structured and capital applied by investors in SIBs. The differences between individual SIB structures are numerous, but our research has identified four main types of SIB financing, as shown in the box below.

Four main types of SIB financing

- A conventional SIB model, where the investor bears the outcome risk and pays the provider(s) at intervals on a fee for service basis
- A variant on this model where the investor bears the outcome risk but pays the provider for specific outputs – e.g. rates of engagement or completion of the intervention, rather than a simple fee. This model is a feature of the Ways to Wellness SIB[1]
- Models where the financial risk is shared on an agreed basis between investor and provider. For example, in the WLZ SIB the financial risk is shared between the service provider, investor and foundations, and the service provider shares upside if they perform well, but also has some downside risk if they significantly underperform
- A model where the social investor provides working capital to the provider as a repayable loan, and the provider is therefore at some risk if outcomes are not achieved.

These developments are being driven by a combination of investor preference and positioning; and provider preference and risk appetite. For example one investor prefers to share risk with the provider, and some providers positively want to share in the 'upside' that will result from a successful intervention that delivers high social impact. They suggest that it is perhaps unhelpful to separate out SIBs so clearly from PbR, and instead refer to them collectively as outcomes-based commissioning, with investment capital playing one or more of a number of roles as needed and desired by the parties to the contract.

A further observation is that social investors tend to be referred to generically as if they all have similar motivations. However the short definition of a social investor as one "seeking social impact in addition to financial return" is somewhat simplistic, and our research shows how they tend to vary considerably in terms of the balance of financial and social return they are seeking, the absolute level of financial return they are targeting, and the sectors, projects and providers in which they are willing to invest. Our survey of investors shows these differences clearly.

The other important observation from an investor standpoint is that some investors are starting to explore ways in which the barriers to the wider adoption of SIBs – that our survey suggests have deterred some investors – could be overcome. In particular, the findings from an investor breakfast that we held in October 2018 show that SIBs could be more widely adopted if:

- There were developed and implemented at greater scale, so reducing transaction costs as a proportion of total costs and subsequent value achieved;
- There was more replication of existing SIBs, for example through the use of centrally-funded rate cards; or providing a base SIB model that can be adopted, with less development and lower transaction costs, by other commissioners (a model which underpins SIBs that we have reviewed in depth as part of this evaluation, notably the model led by HCT through their travel training SIB, and Social Finance through the Mental Health Employment Partnership (MHEP) SIB[12]); and
- There was more transparency about previous SIBs, with commissioners being willing to share detailed information about such matters as SIB contracts, the business case with regard to costs of business as usual, the outcomes being used and actual payment levels for different outcomes.

[12] The indepth review of the MHEP SIB is available here: https://www.tnlcommunityfund.org.uk/media/research-documents/social-investment/comissioning_better_outcomes_in_depth_review_190320_122442.pdf?mtime=20190320122441

How the landscape has changed since 2014

The general view amongst stakeholders is that since 2014 (the baseline for this evaluation) the SIB landscape has generally moved towards a position where SIBs are becoming more widely established, after a period when there were first unreasonably high expectations of what they could achieve and then premature disillusionment about their effectiveness.

Since 2014 the number of SIBs has quadrupled, from 16 in 2014 to around 40 at the end of 2017, and nearly 70 in April 2019. Some of these newer SIBs are in the same policy areas as the very first SIBs, such as youth employment, homelessness and support for children in or on the edge of care. However, SIBs have also expanded into new policy areas, particularly in the health sector.

The market has in general matured, with more sources of advice and support available and external support being used more sparingly and in a more targeted way. Commissioners and providers continue to use and value external paid support, but are also using other sources of advice and guidance (such as GO Lab and the CBO/LCF team) and are thus using paid advisors to provide more specialised and focused advice.

Many of the benefits and challenges surrounding SIBs have however stayed broadly the same. There is arguably more evidence for some benefits of SIBs (such as bringing upfront funding from external investors and embedding an outcomes-focused culture). What is perhaps interesting is that many of the challenges identified in 2014 still exist: SIBs still take a long time to develop and require large set up costs; and there are still challenges in agreeing contracts to suit all parties.

The SIB investor landscape has however changed significantly. Investors are becoming more proactive in their approach, supporting and advising those developing SIBs and especially providers. This appears to reflect both investor dissatisfaction with the quality of development work that has been undertaken on some SIBs prior to their involvement, and a wish to dispel some of the misunderstanding that still persists around their role and motivation, as already discussed above. In addition, and as already mentioned, the SIB investment market has itself developed and matured. Specialist social impact investors, deploying specific investment funds, are now supporting the majority of SIBs, and there are fewer foundations and trusts investing in SIBs today than was the case in 2014.

Other changes to the landscape from 2014 to 2017 that were emphasised by investors were, on the positive side:

- Commissioners were involving investors and providers at earlier stages in SIB development, a welcome development which we emphasised as important in our previous update;
- There were enough investors in the market and enough investment available to meet current demand and deal flow; and
  While understanding remains low among large parts of the market, providers were getting more aware of the options for investment available to them and there was therefore more competition for investment than was previously the case. In addition providers had themselves invested in some SIBs (for example Reconnections)

The following aspects have not changed, and investors voiced frustration at the lack of progress in these areas:

- Poor data available on existing SIBs and the outcomes that they have achieved;
- Some commissioners still have a poor understanding of SIBs and outcomes-based approaches and make unreasonable demands on the SIB contract; and
- The investor landscape is not widening as much as it should, with significant barriers to entry for new investors due to the dominance of some leading providers with an established position.

Conclusions, Recommendations and Areas for further research

Conclusions

Stakeholders involved in the CBO-funded SIBs that we have consulted are broadly satisfied with how the SIBs are developing: Commissioners because SIBs are funding services that would otherwise have been too risky to fund directly or could not have been afforded in the current climate; service providers because SIBs allow them to deliver services that would not have been commissioned otherwise; and investors because of the social and financial returns they are receiving, and the way SIBs embed an outcomes-focused culture in providers.

However, the SIB landscape is not yet at the point where mainstream adoption starts to take off. Awareness has increased but they are still niche, only a small number of people have a detailed understanding of them, and they rely on subsidies (top up funding, development grants and free support) to get off the ground. The evidence base underpinning them has strengthened but is still relatively limited.

A number of stakeholders reported during the research that this mainstreaming/widening of understanding is being hampered by the lack of information and learning stemming from the first set of funded SIBs. Until this information becomes available it is unlikely that SIBs will become mainstream

Recommendations

In the light of our findings we have the following recommendations that are particularly relevant to investors (though not addressed solely to investors):

- **Provide independent guidance on how commissioners and service providers could engage with investors** depending on the role sought from the capital, and when, how and why some investors seek to split the risk in SIBs between stakeholders, rather than carry it all themselves
- **Provide clear and easy to understand information on the different ways investors can apply capital to SIBs**, and the positioning and preferred approaches of specific leading investors
- **Provide clearer guidance to providers on when and when not to expect commissioners to use the light-touch procurement regime**
- **Ensure commissioners are aware of what the essential elements of an outcomes-based contract are**, and the importance of building the right contract terms into SIB contracts, even if they do not use the template contract.
- **Stakeholders should publish real-time data on the structure, business case, performance and outcomes of SIBs**, and their rationale for pursuing a SIB compared to other options, in order to facilitate replication and increase stakeholders' awareness of the effectiveness of SIBs
- **Focus on ensuring the four LOUD factors are in place when developing a SIB:** Our research has found there are four critical success factors that determine whether a SIB is launched (collective leadership; clear outcomes; shared understanding; and data). Stakeholders developing a SIB should focus on ensuring these factors are in place.
- **Stakeholders developing SIBs need to recognise and make clear that the SIB will require a cultural transformation** and way of working that is focussed on all parties' involvement in systems change; to achieve this they must engage all necessary parts of all organisations as early as possible to work out

Areas for further research

Listed below are areas that we believe require further research from the evaluation and academic community in order for them to be fully understood, whether or not they will be explored through later waves of the CBO evaluation:

- Impact of the SIB mechanism on the level of outcomes achieved.
  - *This evaluation will measure qualitative perceptions on the extent to which the SIB contributed to the levels of outcomes achieved. Due to the design of the programme it will not be possible to measure this quantitatively, as there are no comparison sites through which to measure the counterfactual robustly.*
- In the SIBs that are not self-funded by the cashable savings they generate, why it is that a commissioner can pay for the outcomes in the future, but not at the present time?
  - *This will be explored over the remainder of the evaluation, particularly by understanding how commissioners fund outcome payments*
- What are service providers' overall views on the impact of the outcomes-focused culture brought about by SIBs? How is it that service providers report this to be a benefit overall, yet also report that it reduces staff morale?
  - *To be explored in remainder of evaluation through further qualitative analysis of impact on providers*
- The cost of setting up SIBs in programmes since CBO, and whether costs are falling
  - *This is beyond the scope of the evaluation*
- Further information on commissioners' views on whether the benefits of the increased contract management linked to SIBs outweighs the costs
  - *To be explored in remainder of evaluation through capturing commissioners' views over time*
- How the balance of risk between parties is captured in contracts, and commissioners' understanding of the process
  - *To be explored in remainder of evaluation*
- The level of robustness of the SIB business cases, and what happens to the SIB when the assumptions in the business case prove to be incorrect
  - *To be explored in remainder of evaluation by comparison of actuals to business case forecast, and exploration and analysis of all parties responses to variation*
- How the different SIB models (particularly the 'intermediated' and 'direct' models) affect the delivery and performance of the interventions
  - *To be explored in remainder of evaluation, particularly by comparing the performance of different models*
- Whether the 'win-win-win' for commissioners, service providers and investors holds true when the SIB is not succeeding against its outcome targets
  - *To be explored in remainder of evaluation*
- How both the CBO-funded SIBs and other SIBs develop outside of a SIB-stimulation programme
  - *This is beyond the scope of the evaluation*
- Why commissioners' experiences of SIBs are more mixed compared to the experiences of investors and service providers
- *To be explored in remainder of evaluation*