



Commissioning Better Outcomes Fund Evaluation

Update Report for Commissioners

Summary Report Targeted at Commissioners

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December 2016

Commissioning  **Better** Outcomes
Evaluation



Introduction

This report provides a summary for commissioners¹ of the findings to date from the Commissioning Better Outcomes (CBO) Fund Evaluation undertaken by Ecorys UK in partnership with ATQ Consultants (ATQ), on behalf of the Big Lottery Fund (BLF). This summary report focuses on the key findings that are of relevance and interest for commissioners currently involved in, or interested in, social impact bonds (SIBs).

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; and
- 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 strands of the CBO evaluation:

- A literature review drawing together what is already known about SIBs;
- Stakeholder consultations with organisations centrally involved in the policy development, strategic development and operational delivery of SIBs in England;
- Surveys with investors, commissioners and service providers² either involved in or very informed about the SIB agenda;
- In-depth reviews produced for the Ways to Wellness and Reconnections SIBs; and
- A case study report focussed on a potential SIB in North Somerset.

All of the reports listed above, and other reports produced as part of the CBO Fund evaluation, can be found on the Big Lottery Fund website: <https://www.biglotteryfund.org.uk/research/social-investment/publications>.

The report includes the following sections:

- Summary of CBO Fund to date
- Advantages of SIBs
- Disadvantages of SIBs and challenges to their development
- Other SIB observations
- Conclusions and recommendations

¹ A commissioner is an organisation which funds or contracts for delivery of a service.

² A service provider is an organisation which is contracted or funded to deliver a service.

It should be noted that this research is still in its early stages and we have not yet collected sufficient evidence to conclude on the overall effectiveness of the SIB model or CBO Fund. Instead this summary report describes the early experiences of those developing SIBs; as well as the immediate, and potential future, advantages and disadvantages of the approach. Where possible we have compared the SIB model with alternative commissioning models. This comparison is based on reflections by stakeholders on their prior experience of different models; however, in the future the evaluation will test different models through quasi-experimental counterfactual³ approaches where possible.

Policy context

A SIB is essentially a type of payment by results⁴ (PbR) contract. Like other types of PbR, a commissioner (usually one or more public sector bodies) agrees to pay for outcomes⁵ delivered by service providers, and unless those outcomes are achieved, the commissioner does not pay.

Where a SIB differs from a PbR contract is that the provider involved in a SIB does not use their own money to fund their services until they get paid – instead, money is raised from so-called ‘social investors’ who receive a return if the outcomes are achieved. And usually – though not always – the provider is paid up-front by a third party body which holds the contract, rather than holding the contract directly.

At present, there is not one accepted model of a SIB - beyond needing to involve payment for outcomes and that any working capital required should be raised from social investors. Those involved in outcomes-based commissioning such as Voluntary, Community and Social Enterprise (VCSE) organisations and social investors, are currently trying to innovate and develop new contractual and financial structures. Therefore, any attempts to constrain the definition of a SIB are likely to stifle such innovation, within a relatively new and developing area of contracting for services.

There is no definitive source on the number of active SIBs, but according to the Centre for SIBs, as of July 2016, 32 SIBs had been implemented in the UK to tackle a range of social issues, including: homelessness, youth unemployment and children in care. Four of the thirty two are part-funded by the CBO Fund.⁶

The role of commissioners in the SIB model

In the SIB model, the commissioner effectively procures and eventually buys the outcomes that the SIB is intended to achieve. A commissioner might be a national, regional or local organisation which can be (and often are) Local Authorities (LAs), but may also be Clinical Commissioning Groups (CCGs) or other public sector bodies working in policy themes as wide as social care, education, health and crime.

Most of the SIBs commissioned to date have a single commissioner, with only a few being co-commissioned by one or more organisations. However, the Reconnections SIB has been co-commissioned by three CCGs⁷ joining the LA lead commissioner - Worcestershire County Council.

³ A counterfactual is the estimate of indicating what would have happened either a) without the intervention, or b) with an alternative intervention, to provide a comparator. A quasi-experimental design identifies a cohort with similar characteristics as to the cohort being support by the intervention (treatment group), and compares the outcomes achieved by the treatment group with those that did not receive the intervention (comparison group). See: https://www.unicef-irc.org/publications/pdf/brief_8_quasi-experimental%20design_eng.pdf

⁴ Payment by Results is the practice of paying providers for delivering public services wholly or partly on the basis of results achieved.

⁵ An outcome is a result or change experienced by a person, family or community, for example improved parenting.

⁶ See: https://data.gov.uk/sib_knowledge_box/home

⁷ The three CCGs are: Redditch & Bromsgrove, South Worcestershire and Wyre Forest Clinical Commissioning Groups

A relatively high proportion of current SIBs in the UK have been commissioned by central Government, rather than by local commissioners such as LAs and CCGs. Outside of the CBO Fund, most SIBs have been commissioned by large central Government funds including the Innovation Fund (Department for Work and Pensions), the Fair Chance Fund (Department for Communities and Local Government) or the Youth Engagement Fund (Department for Work and Pensions and Ministry of Justice).

However, locally commissioned SIBs are on the rise, partly helped by the CBO Fund, which is detailed further the next section.

Summary of CBO Fund to Date

The CBO Fund is funded by the Big Lottery Fund, with a mission to support the development of more SIBs in England. The details of the progress of the project pipeline are shown in the table below.

Table 1: CBO Fund: Summary of progress to date

Task	2016
CBO/ SOF EoI agreed	78
Development grants agreed	62
Full awards agreed by CBO	22

Source: Big Lottery Fund

22 actual full awards (including in-principle awards that potentially may not progress) have been provided by CBO.

14 of the 22 full awards are commissioner-led, five are provider-led and three are currently led by intermediary management agents⁸.

The commissioners involved in the 22 full awards work in the fields of:

- Children’s services;
- Employment;
- Health;
- Homelessness;
- Social care;
- Transport; and
- Youth engagement.

⁸ An intermediary management agent is a party that offers intermediation services between other parties. In a social impact bond, that means an intermediary is not the commissioner, service provider or investor. Intermediaries have offered different services to the social impact bonds developed so far. Services that can be provided by intermediaries include: introducing parties to the deal; gathering evidence and producing feasible options; facilitating negotiations between parties; raising investor capital; establishing a special purpose vehicle; and managing performance.

The first four SIBs that are now up and running through the CBO Fund have local commissioners:

- Birmingham Core Assets (commissioned by Birmingham City Council);
- Ways to Wellness (WtW) (commissioned by Newcastle Gateshead CCG);
- Reconnections (commissioned by Worcestershire County Council and three CCG); and
- Mental Health Employment Partnership (MHEP) (commissioned by London Borough of Haringey, Staffordshire County Council, and London Borough of Tower Hamlets). .

Advantages of SIBs from a commissioner perspective

The findings from both the commissioner survey and consultations with commissioners as part of the first two in-depth reviews suggest that commissioners have had a mixed experience of being involved in SIBs. While the sample in the survey was small, just over half of those involved with SIBs reported to have had a ‘good’ experience, with most respondents saying that they were likely or very likely to be involved in SIBs in the future. This was backed up by the two in-depth reviews from WtW and the Reconnections SIB, whose commissioners both felt that, although some of the development work had been difficult and resource intensive, they would definitely consider a SIB approach to tackle other social issues in the future. However, one commissioner surveyed reported having a poor experience and was unlikely to become involved again.

Commissioners who were positive about SIBs saw a range of benefits. The table below summarises the main advantages linked to SIBs for commissioners as reported by them, service providers and investors, either considering, developing or involved in SIBs.

Advantage	Reason for Advantage
<p>Able to bring in additional, external investment for early or preventative interventions⁹</p>	<p>The upfront funding from the investor replaces the need for the commissioner to fund the service on a fee-for-service basis, which is seen as critical by many commissioners in a time of reducing budgets and limited new financial resources.</p> <p><i>“Because the issue (loneliness) wasn’t the number one priority of either the Local Authority or CCG we knew that funding to tackle it would be hard to find- especially when cuts have been so severe. The SIB has given us a way to relatively quickly raise money to tackle the issue now rather than sometime in the future”. (Commissioner of Reconnections SIB).</i></p> <p><i>“By the time we waited for less financial pressure on health budgets – the problem would be twice as bad as it is now”. (Provider from Reconnections SIB).</i></p> <p><i>“[T]he evidence base in this area is not strong enough yet to allow us to reduce payments to other services to pay for it. We need time to gather the evidence and to prove both the health outcomes, and cost savings, of this way of working. The input from the social investors, who pay for the service up front and share the risk of the new and innovative way of working, enables us to do this.” (Newcastle Gateshead CCG).</i></p>

⁹ An intervention is the activities undertaken with the intention of producing the desired outcome.

Advantage	Reason for Advantage
<p>Allows for more piloting and experimental activity to test ideas</p>	<p>SIBs are a positive way of testing interventions: There are a number of aspects of the SIB mechanism which shows that they are a positive method in which a commissioner can try out new types of interventions to tackle certain social problems:</p> <ul style="list-style-type: none"> • As stated above, they can provide new forms of upfront finance in a time when there is very little additional funding to try anything experimental which is outside of the core work of the commissioner. • The SIB allows for more piloting because it allowed for a ‘new’ intervention to be tested with little in the way of financial risk for the public sector. If the pilot showed that the intervention did not work (i.e. no or little outcomes were achieved) then the public sector would not have to pay.
<p>More robust business cases</p>	<p>SIBs require a significant amount of work to ensure that the business case underpinning the intervention is accurate: for example, that outcomes metrics are robust and reliably capture the outcomes of the project; and ideally reflect the cost savings associated with them.</p> <p>Commissioners have found that this is an important benefit of SIB development work. For example, in the WtW SIB setting the outcomes and PbR structure forced stakeholders to fully examine the underlying logic model of the intervention, the outcomes it was trying to achieve and the financing. For the Reconnections SIB the ‘case for loneliness’ was also strong as the SIB encouraged the commissioner to think about how the intervention would impact on other health issues (e.g. depression and heart disease) as well as how it would impact on savings to primary health care budgets.</p> <p><i>“Although we obviously consider how all our interventions impact on key health issues, and although we obviously care a lot about how much [money] it will save us in the long run- the SIB has really forced us to consider this much more than we would have done before and made us think about how we are going to record and measure these impacts”</i> (Commissioner from Reconnections SIB).</p> <p><i>“It doesn’t half test your business model.”</i> (Representative from WtW).</p>
<p>Embeds a more outcomes-focused culture</p>	<p>Commissioners surveyed identified this as a key benefit. The outcomes-focused culture is embedded through the strong focus on evidencing outcomes that is required by a PbR contract. Although commissioners were already building in outcomes into some of their contracts, this was not always the case and the fact that it was imperative to do so for a SIB was seen as being a key advantage. Not considering outcomes was ‘not an option’ if the commissioner goes down the SIB approach which was seen as general good contract management in most cases by those commissioners involved in current SIBs.</p>

Advantage	Reason for Advantage
<p>Better contract management</p>	<p>Contracts attached to a SIB brought a number of advantages to contract management compared to a traditional fee for service¹⁰ contract. They firstly give flexibility to the way projects can be delivered as they tend to focus on the outcomes of the project rather than the outputs. Although this benefits the provider, commissioners also felt that they got more flexibility in the services they procure, as it gave their providers the freedom to change in order to achieve the outcomes set.</p> <p>Secondly, a typical SIB contract gives the commissioner the opportunity to define outcomes that specifically relate to cost savings so that there is some form of ‘guarantee’ that savings will be made before a payment is made.</p> <p>Finally, and perhaps most obviously, is that a SIB contract contains the key building block of a Payment by Results approach - the commissioner will only pay if the intervention is successful in meeting its outcomes. The commissioner therefore only pays for success.</p> <p>Better contract management should in theory lead to more efficient and effective delivery although this is still to be assessed due to the early stages of the CBO supported SIBs.</p> <p>However, this aspect of the SIB was also one of many that could discourage commissioners from further developing a SIB. Some commissioners were concerned that the additional contract management, and associated time demands, did not justify the potential benefits from the SIB approach.</p>
<p>More collaboration between the commissioners, providers and investors</p>	<p>Commissioners are reporting that a further advantage around SIBs is linked to the collaborative approach that the model encourages. Some commissioners have stated that a SIB contract leads to much more shared thinking and joint working that, although time consuming, leads to a much better intervention which all parties can influence and are bought into.</p> <p>Collaboration during the development stage includes work linked to the inputs, activities and outcomes of the project drawn from the point of view of the commissioners, providers, intermediaries and investors. <i>“We spent hours debating together with the provider [and the intermediary] how the project would work- we as commissioners didn’t just tell providers what to do but rather they told us how it might work based on their [previous] experience in the field”.</i> (Reconnections SIB stakeholder.)</p> <p>However this level of collaboration is not present in all SIBs, and in some (such as Reconnections) there has been limited interaction between the commissioner and investors</p>

¹⁰ A fee for service contract is one where payment is based on service levels or outputs delivered, rather than outcomes.

Disadvantages of SIBs and challenges to their development from a commissioner perspective

Despite the reported advantages, and the existence of CBO, SIB development has been slower than some anticipated and few local SIBs have been developed outside of central government programmes. Stakeholders interviewed during the research did not understand why more SIBs had not been developed.

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

Challenge	Reason for Disadvantage/Challenge
Long time to develop	SIBs can take a very long time to develop and circumstances can change in that time that can curtail their development (e.g. a key member of staff leaving).
Large set up costs	The long development time of the SIBs can mean large set-up costs for the different groups of stakeholders involved. The Reconnections SIB in Worcestershire, for example, had direct costs alone (funded from various development grants) at £200,000 – although our review also confirmed that all stakeholders thought these costs were justified by the innovative nature of the SIB, as it was the first to address social isolation.
Complexity	<p>SIBs can involve multiple investors, commissioners, intermediaries and service providers; and outcomes-based commissioning, which requires very robust monitoring (including in some cases counterfactuals) to evidence impact. All of these factors lead to SIBs being sometimes complex and difficult to understand. For example, North Somerset Council described SIBs as being a steep learning curve. One of the commissioners we surveyed commented that:</p> <p><i>“[A] SIB is a very, very bureaucratic way of commissioning; it adds costs and significant additional monitoring into contracting. Equally it struggles to cope with risk and tries to minimise all risks and therefore dampens innovation significantly.”</i></p> <p>Linked to the complexity issue was that commissioners are finding it hard to sell to a range of stakeholders what a SIB is, how it works and what the risks are.</p> <p><i>“Me and my team understand what the SIB is – but it’s not an easy sell to explain this quickly in a committee meeting or when I’m in front of our local councillors”.</i> (Reconnections SIB Commissioner).</p>

Challenge	Reason for Disadvantage/Challenge
<p>Complexity (continued)</p>	<p>Stakeholders from one major investment organisation found setting up a SIB to be most complex in the Health sector, compared to other sectors. This was due to several reasons:</p> <ul style="list-style-type: none"> ▶ Multiple health commissioning organisations: This means that different commissioners benefit from different outcomes. Creating an intervention that is funded by only the organisation that reaps the direct benefits is a challenge, and can limit the scope of a SIB; ▶ A SIB has to operate for a long time period in order to evidence outcomes: To date, the SIBs funded in health have included a longer time-lag between the intervention and the outcomes. Consequently, it is harder to predict the scale of outcomes, making it harder to develop the financial model. The time-lag also means that more work has to be done to be confident any changes in outcomes can be attributed to the intervention¹¹; ▶ Limited experience of health-related outcomes-based commissioning: CCG systems and processes are not necessarily suited to outcomes-based commissioning; and ▶ Challenges in accessing outcomes data: Due to data collection procedures within the Health sector. <p>However, there are only a handful of examples of health-related SIBs; some of these issues appear to be prevalent in SIBs in other sectors, especially those which involve early intervention; and, not all SIBs in the health sector have experienced these problems.</p>
<p>Lack of understanding of investor expectations</p>	<p>Interviews with commissioners revealed their misconception as to investors' expected rates of return. Two commissioners reported that they felt misled by intermediaries/advisors, and were led to believe that investors would only require a marginal, if any, rate of return. One commissioner reported that it had not been easy to find an acceptable balance between investor expectations and what they would find a reasonable cost of money in relation to the delivery of a public service, with the commissioner describing the investors as "<i>hard nosed</i>".</p> <p>Investors make the counter argument that the rates they charge are reasonable given that they could make no return at all (and could lose all their investment) and are lower than institutional investor rates.</p> <p>This lack of understanding compounded by the fact that some commissioners and investors involved in SIBs seem reluctant to openly discuss potential returns for investors, meaning there is limited public information on likely payments to investors - information that commissioners and other stakeholders ideally need to help decide whether a SIB approach is right for them.</p>

¹¹ Attribution is the ability to link a specified intervention with the achievement of a specified outcome.

Challenge	Reason for Disadvantage/Challenge
	<p>To overcome this challenge, it is important that commissioners (and providers) are allowed to engage early with investors and get as clear an indication as they can of investors' expected rates of return so that they do not come as a surprise later in the process.</p>
<p>Agreeing contracts to suit all parties</p>	<p>Agreeing a contract is a challenge for all parties, but especially for commissioners who need to set outcomes and metrics that they as commissioners are happy with but which also suit all stakeholders. Commissioners need metrics that reflect the benefits of change and avoid perverse incentives¹²; investors need metrics that they can easily measure and assess the risk of them not being achieved; and service providers need metrics that they can easily capture and data that can be used as evidence of progress towards their outcomes.</p> <p>Commissioners involved in SIBs can sometimes feel a 'loss of control' in developing the contracts as they often need to be established in consultation with providers and also intermediaries. The SIB contract is less specific in terms of how the project is to be implemented (and is focussed more on outcomes) meaning the commissioner has less of a say on the detail of 'their' project. In addition, due to the complexity of the SIB, intermediaries can be a key part of the contract development stages. This again means commissioner influence is sometimes lessened. Some commissioners were also uncomfortable with SIBs developed by providers, where they had limited input into the design, or where they felt there was an expectation they would commission the provider to deliver the SIB without any open competition.</p> <p>The main way to overcome this loss of control is through close working and active participation across the different players. However, with open tendering it is important to have these open conversations with all potential providers so that no one is 'put off' from tendering and in order to ensure that as many good tenders as possible are encouraged by the commissioner.</p>
<p>Stakeholder engagement within commissioners</p>	<p>A number of commissioning organisations mentioned internal engagement with stakeholders and decision makers as an important part of the process which had caused challenges and led to delays.</p> <p>Some commissioners have overcome the delays by ensuring that they engage with key stakeholders as early as possible – often before detailed development work has started. Our case study report, which focused on the potential for a SIB in North Somerset and the work that Council needed to do there to set up a SIB, highlights that early engagement with internal stakeholders is important to ensure that everyone understands what the project aims to achieve and any concerns about the proposed model are allayed. Time spent in successful engagement at this early stage is likely to pay dividends later.</p>

¹² A perverse incentives is an incentive that has unintended results which go against the desired outcome or aims of the programme.

SIB 'myths'

As noted above, many commissioners appear to be deterred from pursuing a SIB by the SIB process itself, and there appears to be a certain amount of 'mystique' surrounding SIBs. Our consultation with commissioners suggests this has led to a set of 'misconceptions' about SIBs. These include the following:

- **'SIBs have to be complicated'**: While the eventual SIB structures that involve a range of parties are necessarily complicated, the process of development for a commissioner need not be. A commissioner can focus on the outcomes and what they are prepared to pay for them, letting the providers and investors do the rest - i.e. determining the intervention and the financial and investment structures. The Bridges Ventures Impact+ Practitioner's Guide¹³ is helpful in identifying the essential points on which a commissioner needs to concentrate when designing a SIB, rather than straying into areas best left to other parties. It suggests that commissioners need to address only five key questions, which are:
 - ▶ Ensure payment metrics directly relate to intended outcome;
 - ▶ Clearly define target beneficiaries;
 - ▶ Identify the full cost to society of the issue being addressed;
 - ▶ Establish a way of accounting for what would have happened anyway; and
 - ▶ Ensure all parties will agree on whether outcomes have or have not been delivered, against which payment will be made.
- **'A SIB must have an intermediary'**: This is not true, and a significant proportion of SIBs have no intermediary (around one third as at end 2016). Even where an intermediary is involved, the extent of their involvement can vary considerably. The Impact+ Practitioner's Guide points out that: *"around one third of operational SIBs are direct, one quarter are managed and the remainder are intermediated. Managed SIBs have a fourth party – effectively a prime contractor¹⁴, often referred to as an intermediary – managing the SIB. This involves taking a lead role, usually from concept through to execution, contracting in the range of activities needed throughout. In intermediated SIBs, fourth party involvement may be limited to supporting performance management during delivery, or developing and refining the financial model in the development phase. Direct SIBs have just one service provider, with the majority of activities undertaken by the three core parties"*.
- **'SIBs give lots of money to investors'**: Some SIBs could generate relatively high returns to investors, but only if outcomes exceed expectations. Investors argue that the potential returns reflect the risk taken by investors in a business case that conventional investors or large providers would not be prepared to back, and the fact that investors can lose all their money means that the concept of a fixed return is in any case misguided.
- **'SIBs must save money'**: While many SIBs are intended to generate cashable savings, others are not. The need to save money is only critical if the cashable savings generate the means to pay the investors for the outcomes achieved. In many SIBs (especially those funded by central government) the motivation is to test whether the intervention works and might reduce costs to the state, but there is no expectation that this will always happen. This was particularly true for the Reconnections SIB where although they are interested in understanding whether a SIB that tackled loneliness helped save money on other health care, they did not attach a payment outcome to it so that it 'had' to save money.

¹³ Bridges Ventures Impact+, 2014. Choosing Social Impact Bonds

A Practitioner's Guide <http://bridgesventures.com/wp-content/uploads/2014/12/SIB-report-SINGLES.pdf>

¹⁴ A prime contractor is a provider who is directly contracted to deliver a service and acts as the single point of contact for the commissioner. Prime contractors may pass on work to subcontractors.

- **‘SIBs must fund an Evidence-Based Programme’:** While it is important that the intervention funded by the SIB is likely to be effective, it does not have to be an Evidence-Based Programme. Only a very small number of SIBs fund interventions which are truly evidenced based (see below).

Other SIB Observations

As well as the main advantages and disadvantages currently associated with SIBs, our research has revealed some other interesting findings for commissioners:

- **Some SIBs include contract clauses designed to minimise perverse incentives:** A key criticism of any PbR contract is that they could potentially encourage a focus on ‘easy wins’ to ensure outcome payments are reached. This is something that the commissioner obviously wants to avoid. Our early consultations with commissioners show that they are designing in a range of points into their contract aiming to ensure this does not happen. This includes:
 - not punishing providers if things get worse (i.e. if the health of a beneficiary becomes worse) so that they do not just focus on the ‘easy wins’;
 - specifying that the services of the SIB needed to partly target individuals living in areas which contain high levels of deprivation (to ensure the service supports those most in need);
 - ensuring that everyone who is referred into the programme and who scored above a threshold would need to be supported in some way (to again avoid cherry picking).
- **It is important for commissioners to engage with a range of providers and investors early on in the process before the procurement process starts:** The importance of commissioners engaging early with investors is widely endorsed but also for commissioners to engage with a range of possible providers prior to procurement is also important. When the Reconnections SIB engaged with a single intermediary and provider early on and worked with them to develop a possible solution to loneliness, there was little interest from other providers when the procurement process happened. Additionally, stakeholders involved in the Ways to Wellness SIB felt that early engagement with the investor (Bridges Ventures) was a key strength of their SIB development. Early engagement may help dispel some of the mystique surrounding SIBs referred to above, and will help commissioners understand expectations.
- **Diverse nature of SIBs:** One of the main aspects our surveys highlight is how diverse the wants and needs of those involved in SIBs are. Because of the multiple partners that exist within a SIB, this most likely means that the combination of wants and needs from those involved varies relatively widely from one SIB to another. This will likely have consequences for the future development of SIBs: most notably that a ‘one-size-fits-all’ approach to SIB development and implementation will be less likely to work. An important finding for commissioners is that providers and investors dislike over-prescription of the SIB structure, as has been a feature of some SIBs commissioned by central Government.
- **Increased data collection and performance management:** Both our own evaluation work, and evaluations of other SIB programmes (such as of the Essex SIB and DWP Innovation Fund) have found that some SIBs tend to have enhanced performance management when compared to fee-for-service contracts. This appears to be because there is an increased alignment of interest between the investor, commissioner and service provider to maximise the outcomes achieved by the intervention. This in turn improves partnership working and enhances contract management. The close partnership can also bring together distinct expertise and address knowledge gaps across the partners. Whilst this is generally regarded positively, other SIB evaluations have found that this leads to an increased demand on service providers to evidence outcomes and report on performance that is often not envisaged or costed for. What is not yet known is whether this increased performance management leads to more outcomes being achieved.

Conclusions and Recommendations

SIBs are still in their early stages of development and the evidence base is limited, although the number being developed is increasing. Those involved in SIBs (including commissioners) confirm that the potential benefits are being achieved: they not only bring in upfront capital to fund services, they allow commissioners to experiment or scale relatively untested interventions and allow for more flexible service delivery. There is also an appetite from more members of each group to get involved.

Findings do also suggest, however, that their development has been slow – particularly local SIBs outside of central Government-supported programmes. People developing SIBs face multiple challenges, mostly in understanding their complexity and, for commissioners and service providers, working with investors and intermediaries, whom many have not worked with before.

However, despite these challenges, there are four points to note that could suggest their development will increase:

- Many commissioners and service providers involved in SIBs are likely to choose to become involved in future ones;
- Support is available and has been well received;
- Some stakeholders believe most challenges are solvable;
- Some stakeholders involved report they are getting quicker to develop.

Furthermore, some of the challenges faced are likely to subside as the market develops and as commissioners, service providers, investors and advisors/intermediaries get more used to working together. This emphasises the importance of ensuring stakeholders involved in SIBs are transparent about their work and share their learning with other stakeholders. This evaluation will play a crucial role in ensuring the lessons learnt from the CBO-funded SIBs are shared.

In light of these findings we have the following recommendations for commissioners:

- **Do not see a SIB as ‘unique’ compared to other types of commissioning:** A SIB is an intervention that requires more or less the same underlying management and procurement processes as any other.
- **Focus on what really matters to you as the commissioner.** In undertaking SIB feasibility and development work focus on the outcomes you want to achieve and what you are prepared to pay for them, letting the providers and investors do the rest - i.e. determining the intervention and the financial and investment structures.
- **Do not be deterred by the apparent complexity of SIBs.** SIBs will get simpler and this will, we expect, accelerate as those involved in their development share their learning. Keep abreast of wider developments in the market, such as the move away from Evidence-Based Programmes and growth of “Direct” SIBs, which may make SIB development easier.