Evaluation of the Life Chances Fund

Interim report

12 February 2020

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Evaluation of the Life Chances Fund

Interim report

A report submitted by ICF Consulting Services Limited

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Introduction

ICF were commissioned in July 2017 by the Department for Digital, Culture, Media and Sport (DCMS) to undertake an independent programme-level evaluation of the Life Chances Fund (LCF). After a scoping stage used to refine the evaluation approach, this interim evaluation report examines stakeholder perspectives and insights from the first six launched projects. A final report will follow in 2020. A second evaluation strand, examining the SIB mechanism, will continue to produce evaluation reports until the projects will have completed service delivery in 2025.

The Life Chances Fund (LCF)

The Life Chances Fund (LCF) is an £80m fund, committed by central government to help people in society who face the most significant barriers to leading happy and productive lives. It will provide top up contributions to outcomes-based contracts involving social investment, referred to as Social Impact Bonds (SIB). These contracts must be locally commissioned and aim to tackle complex social problems.[1] It is intended to leverage up to £320 million in outcomes payments from local commissioners.

What is a SIB?

A SIB is one type of outcomes-based contract where a social investor, seeking social as well as financial returns, provides the up-front funding required to deliver the service. The outcomes-based contract will therefore involve a commissioner (normally a public sector organisation), an intervention provider (usually a charity or a social enterprise) and a social investor.

The Fund has seven objectives:

1) To increase the number and scale of SIBs in England;
2) To make it easier and quicker to set up a SIB;
3) To generate public sector efficiencies by delivering better outcomes, and to understand how cashable savings are;
4) To increase social innovation and build a clear evidence base for what works;
5) To increase the amount of capital available to voluntary, community and social enterprise (VCSE) providers to help them compete for public sector contracts;
6) To provide better evidence of the effectiveness of the SIB mechanism and the savings resulting; and
7) To grow the scale of the social investment market.

The LCF is led by a delivery partnership including DCMS, with implementation managed by The National Lottery Community Fund (TNL Community Fund) and supported by experts at Traverse and the Government Outcomes Lab (GO Lab).

[1] Please see further information here:

1. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/551993/2016_09_life_chances_fund_guidance.pdf
2. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/645182/Life_Chances_Fund_FAQ_August_2017_updated_.pdf

Applicants who are successful at the 'expression of interest' stage can also apply for a 'development grant', of up to £30,000, to fund specialist support with the technical aspects of their applications.

The Fund was launched in July 2016, will operate until March 2025, and has been implemented through three calls for applications across six themes:

- Themes 1 & 2: Drug and alcohol dependency; and Children's Services (announced December 2017);
- Themes 3 & 4: Early Years; and Young People (announced May 2018); and
- Themes 5 & 6: Older People; and Healthy Lives (announced September 2018).

In addition to these, when a project did not fit within the above themes, it was still considered for LCF funding if it proposed an innovative SIB approach.

Evaluation scope and approach

The programme level evaluation led by ICF is one of three strands of LCF evaluation activity, which are set out in the published Evaluation Strategy for the Life Chances Fund[2]. The second strand, implemented by the GO Lab, comprises:

- standardised reporting on all SIB projects,
- an evaluation of the impact, process and value for money of selected LCF SIBs and the SIB mechanism compared to alternative commissioning approaches.

The third strand involves local level evaluations undertaken by each of the funded SIBs (with support from GO Lab) to contribute to the evidence base of 'what works' in relation to SIBs.

This programme level evaluation aims to identify what has worked well, and less well, in implementing the Fund; the extent to which the LCF is on track to achieve its aims and objectives; and its impact on the SIB market. Following a scoping stage, which involved creating a theory of change for the programme (see 1.2.2 and Annex I), this report is based on the following sources of evidence:

- Administrative project-level data (held by TNLCF)
- Qualitative interviews conducted with:
  - 16 applicants to Rounds 1, 2 and 3 whose applications were unsuccessful or who withdrew following the submission of an expression of interest (EoI)
  - 8 Round 1 applicants who were either successful at the EoI stage but withdrew following the submission of a full application, and three Round 2 applicants who withdrew following submission of full applications
  - 6 Programme stakeholders, including representatives of DCMS, the TNL Community Fund, Big Society Capital and Social Finance.
- Case study fieldwork with three successful Round 1 applicants whose projects were in the early stages of implementation, featuring qualitative interviews with commissioners, providers, investors and intermediaries. Each case study featured interviews with between four and five individuals.

[2] https://www.gov.uk/government/publications/evaluation-strategy-for-the-life-chances-fund

Progress to date

Analysis of the LCF project database[3] showed that **six Round 1 and 2 projects had launched** at the time of the report, distributed as follows:

- **By theme**: two under the Young People; two under the Drugs and Alcohol Dependency; one under the Healthy Lives; and one under the Children's Services themes.
- **By lead applicant and providers**: four projects are led by local commissioners (the lead applicant to LCF was a commissioner) and two are led by providers (the lead applicant to LCF was a provider), and all provider leads are voluntary sector organisations, suggesting positive progress towards the objective of increasing the amount of capital available to VCSE sector providers.
- **Project scale and value**: the value of estimated maximum outcome payments ranges from £1.3 million to over £6.3 million (an average of £3.1 million); and expected numbers of participants ranging from 48 to 2,410 (an average of 705).
- **Funding composition**: the local commissioner commitments range between 55% to 89% of the total outcomes payments; while the LCF funding contributions, which complement the local commissioners' commitments, hence range between 11% and 45%.
- **Investor involvement**: Big Issue Invest and Bridges Fund Management invested in three and two projects respectively, and Social and Sustainable Capital invested in one project. The total estimated social investment value at application stage was around 6.01 million.

In addition, the project pipeline, which includes projects receiving an 'in principle' offer of funding, comprised **35 projects** at the time of writing, **with a potential LCF contribution of almost £77 million**, across the three Rounds and six themes of the programme.

While the six SIBs launched are in the lower/middle range of the investment scale when compared to other UK SIBs[4], if current pipeline projects launch successfully, the programme will meet its aspiration of leveraging £320 million in commissioner outcome payments through the LCF top-up contribution of £80m.

The programme stakeholders who participated in this research described being broadly satisfied with the progress of the LCF, while recognising that the timelines for getting early projects established had been longer than anticipated. This reflects the complexity inherent in designing and establishing a SIB. Stakeholder interviewees revealed an on-going challenge facing both applicants and the delivery partnership in securing and maintaining buy-in with the various stakeholders, commissioners and investors. Key to successful engagement was the time taken for open and meaningful conversation to 'demystify' SIBs.

The delivery partnership had developed a 'co-commissioning' approach to supporting the development of new SIBs, based on a growing understanding of the need to provide applicants with support that is both tailored and flexible. Maximising the learning is a key priority going forward, to ensure that intelligence is not lost from the system and continues to contribute towards the Fund's objectives of making it

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[3] As at w/c 4 March 2019

[4] See for example: Building the tools for public services to secure better outcomes: Collaboration, Prevention, Innovation, GO Lab, July 2018

easier and quicker to set up a SIB, building the evidence base on what works and on the effectiveness of the SIB mechanism.

Developing a SIB – applicant experiences

Experiences of developing a SIB under the LCF were explored with two groups who had not progressed to implementation: firstly, those who submitted an unsuccessful EoI or who subsequently withdrew from the programme before submitting a full application (n=16); and those who submitted a full application but subsequently withdrew (n=10).

Applicants withdrawing at the EoI stage

Applicants most commonly reported applying to the LCF as it offered a rare funding opportunity in an economic environment that offered few alternatives. Amongst the providers applying, failure to engage commissioners in their bids emerged as the key reason for their withdrawal, although it was clear that some bids were highly speculative and the lack of proactive engagement with commissioners meant they could not have proceeded further. In other cases, applicants had not considered the strategic priorities of local commissioners, which suggested a potential limit to the role of VCSEs in shaping service provision through a SIB mechanism.

Applicants also encountered difficulties in working through the more technical aspects of their bids, particularly in developing or agreeing appropriate outcome measures (including where the evidence base for the intervention was weak or where outcomes may not be realised for some time). Complexity and limited resources were barriers for some applicants – for example, the untested innovative approaches proposed were reported to represent too great an investment risk to be taken forward in some cases. This suggests that in the SIB context innovation may be better understood as enabling flexibility or adaptability in delivery rather than promoting new or highly creative approaches, given the heightened risk inherent with more innovative approaches.

Where support from the LCF delivery partnership had been used this was described as being positive and helpful. However, some applicants were unhappy with the level of feedback received and were not clear why their bids had not been successful. Nonetheless, based on their experience and the lessons learnt the majority would consider developing a SIB in future, provided the right level of support was in place to help develop the technical aspects of a bid.

Applicants withdrawing after full application/at final set-up stage

The applicants progressing to submit a full application also reported the financial benefit as the key attractor, with commissioners being particularly interested in generating cashable savings over a longer time frame than otherwise possible. Applicants were also attracted by the opportunity to build their expertise in contracting through alternative funding models and in particular through Payment by Results (PbR).

The complexity and resource intensive nature of developing a SIB meant that the development grant, which applicants successful at the 'expression of interest' stage could apply for, was key in enabling them to progress their applications by purchasing external capacity and technical expertise. Applicants who received development grant funding were clear that they would have been unlikely to have pursued their applications without it – although some would have preferred to use the grant to free up internal capacity to develop their SIB.

Applicants faced a number of challenges in developing their SIBs. Agreeing outcomes and who would pay for them was a particular challenge for SIBs with multiple commissioners from different organisations. This could be even more difficult for provider-led SIBs where commissioners demanded unequivocal evidence of attribution and the realisation of cashable savings. Unresolved questions around the detail of the SIB financial model could also present barriers, and questions over long-term priorities could leave commissioners reluctant to commit funding. Effective stakeholder engagement was a further challenge for both providers and commissioners. Ensuring buy-in from senior decision makers over the lengthy time-period required to set up a SIB (see evidence on timeframes in the case studies in Chapter 4) could also be challenging, especially where there was an ideological antipathy to SIBs (see point 3.2.3.2) or changes in previously committed leadership. Reasons for withdrawal often included a combination of these challenges that ultimately proved too difficult to overcome. In a small number of cases internal initiatives and service improvements had successfully begun to achieve the outcomes expected of the proposed SIB, so rendering the latter redundant.

Key lessons for provider applicants withdrawing at this stage centred on the imperative of a more nuanced understanding of the practical, ethical and cultural barriers local authority stakeholders might raise when considering whether to proceed with a SIB. The need to '*speak the language'* of local authorities, in terms of common terminology, and understanding of the local government context and culture, was important in countering mistrust. Providers also made the case for additional support in developing a SIB, and some observed that the LCF sometimes felt commissioner orientated. Commissioners reported rich learning from their application experience which they were confident they would put to good use in future commissioning activity.

Applicants progressing to final set up – case studies

Case study fieldwork took place with three of the four Round 1 projects which had successfully launched by February 2019 and provided further insights into experiences of the LCF application and SIB development processes.

While two of the three project leads had no previous experience of SIBs, and in the third SIBs were new at the local authority level, all had previous experience of working under PbR schemes. Each project was motivated to apply due to the combination of upfront financial investment and top-up LCF funding, without which they felt that the SIB would not have been taken forward. All three had also secured development grant funding, which was used to purchase intermediary and external consultancy support and helped the development work.

All three projects described the different stages of the application process as straightforward. The completion of the final application and set-up forms was undertaken collaboratively between the provider, commissioner and investor. This was assisted in two areas by the previous piloting of the intended approach (which provided evidence of the effectiveness of the proposed intervention and the provider's ability to deliver) and extensive preparatory work (which detailed potential outcome measures, referral processes and estimates of potential savings). In the third, advice and guidance from a peer authority with experience of developing a SIB in a similar policy area was key in informing the development of the full application.

Although the application and development processes were considered to be straightforward overall, each project also experienced similar challenges to those that had been unsuccessful or withdrawn from the process. Unexpected delays caused issues: in one case leading to the provider funding continued delivery of their pilot approach from their own resources while in another case significant effort was required to maintain stakeholder engagement over the 2.5 years from EoI submission to final agreement (including changes in local strategic priorities). Identifying meaningful outcomes and establishing payment mechanisms across multiple investors at different time points, were also challenging elements.

Interim conclusions

This report provides early conclusions in terms of the progress to date against the Fund's objectives (as far as possible at this point), the key enablers of and barriers to implementing the LCF as reported by the applicants consulted, and emerging learning for future programmes.

Progress towards the Fund's objectives

Although too early to draw definitive conclusions on the extent to which the Fund's objectives have been achieved, the following interim conclusions were drawn:

- **Objective 1: Increasing the number and scale of SIBs** – the fact that six new SIBs launched shows positive progress towards this objective. Although high levels of attrition were experienced between stages in the application process in the early stages of the programme, this was not expected to be replicated for the current pipeline by the stakeholders interviewed. The outcome payments for the launched SIBs fell into the middle/lower range when compared to other UK SIBs, although the pipeline includes several much larger projects.
- **Objective 2: Making it easier and quicker to set up a SIB** – while many of the supportive and bespoke features of the LCF approach were reported to be helpful, the time taken to move from EoI to delivery for the case study SIBs was between 27 and 28 months. So, while there was evidence that the LCF was making it easier to establish a SIB, there was little evidence that it had made the process quicker.
- **Objective 4: Increasing social innovation and building a clear evidence base on what works** – while innovation is a central aim of the SIB model, a tension remains between risk reduction and supporting innovation, with investors being concerned that untried approaches would put their repayments at risk. Nevertheless, examples of innovation could be identified amongst the case study projects which will be explored further as more projects are launched.
- **Objective 7: Growing the scale of the social investment market** – the estimated value of social investment at application stage was around £6.01 million, which is expected to increase as the remaining applications progress forwards showing positive progress towards the objective of growing the social investment market.

It remains too early in the programme to draw conclusions on LCF Objectives 3, 5 and 6. These will be explored in the subsequent stages of the evaluation.

Key enablers and challenges

A series of key enablers and challenges for developing a SIB under the LCF were identified. The enablers included:

- The breadth of support offered by the delivery partnership and through the development grant – particularly as the projects move towards implementation.
- Establishing engagement, commitment and buy-in at a sufficiently senior level to influence decision making - and taking steps to maintain commitment over time.
- Commissioners' attitudes to risk, and willingness to take on more risk to support innovation, alongside a provider base which is familiar with carrying risks associated with delivery (for example through experience of PbR contracts).
- Clear and evidenced cashable savings – to make a compelling case to commissioners.
- A culture of local collaboration – and mechanisms to support this, and where efforts are led by individuals committed to the driving projects forward.

The challenges experienced included:

- Engaging with commissioners and wider stakeholders – and where engagement with commissioners identified either limited support for the proposed intervention or a lack of willingness to engage until an 'in principle' agreement was reached.
- Difficulties developing/agreeing appropriate outcome measures – including where outcomes would not be realised for a considerable period of time, or where the existing evidence base is limited.
- The perceived complexity and the resource intensiveness of developing a SIB;
- Perceived risk of innovative approaches: where project ideas were perceived as being too risky for a SIB model or where innovative approaches, the effectiveness of which was not known, were considered too high risk for commissioners or funders to engage with.

Learning for future programmes

Finally, and despite the evaluation being in its early stages, a range of lessons emerged of relevance to both the current and future programmes. While applicants were positive about the application and development process overall, potential areas for improvement were identified, including:

- Having shorter, transparent and more consistent timelines – to help maintain stakeholder buy-in, ensure policy/strategic relevance and reduce uncertainty.
- Streamlining the application processes – by setting clear timelines and deadlines for activities within the process to reduce the time required at this stage.
- Enhancing support around SIB procurement and contracts – including providing more advice and using an external “honest broker” to provide independent, third party expert advice in contract negotiations.
- Providing consistent expert support – allowing the use of the development grant in-house or through a knowledgeable and trusted mentor for the duration of the development process and ensuring that detailed subject knowledge was available around the themes being considered.

1 Introduction

In July 2017 ICF were commissioned by the Department for Digital, Culture, Media and Sport (henceforth DCMS) to undertake an independent programme level evaluation of the Life Chances Fund (henceforth LCF).

1.1 The Life Chances Fund

Launched in July 2016 the LCF is an £80 million 'top-up' outcome fund designed to support the development of social impact bonds (SIBs) commissioned at the local level. The programme aims to leverage a further £320 million in outcomes payments from local commissioners, thereby creating a total pot of £400m in outcome-based contracts. The LCF is led by DCMS with implementation managed by The National Lottery Community Fund (henceforth TNL Community Fund). Programme implementation and applicants to the Fund are supported by experts at Traverse and the Government Outcomes Lab at the Blavatnik School of Government (henceforth GO Lab). The Fund will run for a total of nine years to March 2025.

The LCF aims to widen the use of SIBs as a vehicle for outcome-based commissioning. Commissioned projects are intended to tackle complex social problems and help those people facing significant barriers to leading happy and productive lives.

The LCF has been implemented through three calls for applications to establish new SIBs across six paired and interconnected themes:

- Themes 1&2: Drug and alcohol dependency; and Children's Services (announced in December 2017);
- Themes 3&4: Early Years; and Young People (announced in May 2018); and
- Themes 5&6: Older People; and Healthy Lives (announced in September 2018).

In addition to these, when a project did not fit within the above themes, it was still considered for LCF funding if it proposed an innovative SIB approach.

Bids were encouraged from commissioners, providers and others including social investment intermediaries and consultants. Call outs to potential applicants have been supported by active outreach to commissioners and the invitation to attend tailored events and webinars developed and delivered by TNL Community Fund, GO Lab, DCMS and Traverse. Applicants have also been encouraged and supported to make links with and learn from commissioners and providers with previous experience of developing SIB funded projects.

Given the complexity of designing and establishing a SIB, the LCF offers applicants who are successful at EOI the opportunity of applying for a development grant for up to £30,000 to fund specialist support for the technical aspects of their applications. This has been augmented by on-going support and guidance from TNL Community Fund, GO Lab, DCMS and Traverse.

Beneath its broad aim there are seven objectives that the Fund sets out to achieve:

1) To increase the number and scale of SIBs in England;

2) To make it easier and quicker to set up a SIB;

3) To generate public sector efficiencies by delivering better outcomes and use this to understand how cashable savings are.

4) To increase social innovation and build a clear evidence base for what works;

5) To increase the amount of capital available to voluntary, community and social enterprise (VCSE) sector providers to enable them to compete for public sector contracts;

6) To provide better evidence of the effectiveness of the SIB mechanism and the savings that are being accrued; and

7) To grow the scale of the social investment market[5].

This report primarily explores emerging evidence of progress towards the fourth objective, namely to make it easier and quicker to set up a SIB. Some very early evidence for progress towards objectives 1-4 is presented in section 2 and this will be picked up further in subsequent reports as more SIBs are launched under the LCF programme.

What is a SIB?

A SIB is a form of payment by results (PbR) contract that levers funding from external finance providers to pay for the upfront delivery costs of targeted services. SIB finance providers are most commonly socially aligned investors, some of whom provide additional support and expertise to service delivery organisations to help achieve outcomes. The social investor is paid a return on their investment contingent upon the achievement of a set of pre-defined outcomes, for which payment tariffs are set.

SIBs are purported to offer a number of benefits over traditional contracting arrangements by:

- Enabling the sharing or transference of financial risk from commissioners and providers to social investors;
- Delivering better value for money as payment is tied to clearly defined and measurable outcomes;
- Providing better evidence of 'what works', as measurement of outcomes and performance is inherent in the model;
- Promoting innovation in delivery as payment is tied to outcomes rather than a prescribed set of inputs and outputs;
- Supporting the achievement of better social outcomes through enabling innovation and encouraging improved service design; and
- Helping to stabilise funding for providers, in particular VCS organisations.[6]

There are currently between 45-50 active SIBs in the UK (as of February 2019) funding interventions covering a range of social issues including homelessness, children in care, substance use and youth unemployment. The first SIB was established in the UK in 2010[7] and since then central government support has arguably been the main impetus

[5] Social investment market here refers to the social investment outcomes market as the market the LCF is intended to influence.

[6] See for example: Bridges Ventures (2016) Better Outcomes, Better Value: The Impact of Social Outcomes Bonds in the UK, London: Bridges Ventures LLP. Cabinet Office (2016) Social Investment: a force for social change: 2016 strategy; GO Lab: Social Impact Bonds: an overview (2018)

file:///C:/Users/29601/Downloads/SIBs_Overview_for_Senior_Local_Gov_officials_20180108.pdf. [accessed 07/02/2019].

[7] Delivered between 2010 and 2015 the One Service intervention provided post-release support to prisoners released from Peterborough prison.

for their growth. This has included direct support via earlier grant funding schemes including the Innovation Fund, the Social Outcomes Fund and the Commissioning Better Outcomes Fund. The LCF represents the latest and arguably the most extensively supported government-led initiative designed to grow the scale and reach of SIBs.

1.2 Evaluation scope and objectives

The programme level evaluation commissioned from ICF forms part of a wider portfolio of evaluation activity structured into three key strands:

- Strand 1: led by ICF and focused at the programme level. This aims to evaluate the Fund as a tool for growing the SIB market, investigating how the Fund is working in practice from the perspective of national stakeholders, commissioners, providers and investors. It is primarily concerned with exploring progress against the first four LCF objectives described above.
- Strand 2: led by GO Lab (with DCMS) and focused at the project level. This aims to provide a standardised reporting on all projects based on a survey, and to assess the impact, process and value for money of LCF SIBs and the SIB model compared to alternative commissioning approaches. This Strand is primarily concerned with exploring progress towards the last two objectives described above.
- Strand 3: led by SIB funded projects (and supported by GO Lab) and focused at the project level. Individual evaluations will vary in approach and focus in line with local priorities. These will contribute towards the evidence base of 'what works' in preventative interventions.

1.2.1 Strand 1: the programme level evaluation

The overall aims of the programme level evaluation are to:

- Identify what worked well and less well with the implementation of the Fund; and
- Investigate whether the Fund is on track to achieve its aims and objectives, and the impact it has had on the SIB market.

These aims translate into a set of research questions described under two themes:

The implementation of the Fund from multiple perspectives, identifying enablers and barriers and generating learning for replicability and future funds

A key question for the evaluation is how the Fund is working in practice: is it being rolled out and functioning as envisaged and planned; what are the barriers and enablers to effectiveness; are there any unintended consequences? An important area of focus is the perspectives of commissioners and providers who have applied to the Fund. What has been their experience so far? What challenges have they encountered and how has the support offered through the Fund enabled them to overcome these? Answers to these questions will generate learning about the effective design and implementation of SIBs and the potential for similar innovations to stimulate the market.

Progress towards the Fund's intended objectives

This element of the evaluation explores how far the Fund has achieved the first four and the seventh objectives set out above. The key source of evidence are the project final offer letters and set-up forms, which were used to assess the scale of successful SIBs - gauged by the amount of funding leveraged from the LCF itself, local commissioners and investors; the reach of successful SIBs (in terms of number of participants in a given project); the duration and experiences during the set-up phase (see also above); information from projects on the potential level and type of innovation of their approach.

Some key questions will be explored qualitatively including: whether the programme has supported changes in the culture of commissioning, how commissioners and organisations are evolving their readiness and ability to develop and implement a SIB; would commissioned programmes have happened without the Fund top-up; are new or existing programmes of work being commissioned?

1.2.2 Evaluation methodology and progress

Scoping stage

The main stage of evaluation follows an earlier scoping phase designed to inform and develop ICFs understanding of the programme, develop a programme level theory of change (ToC) logic model and to refine the evaluation approach.

A theory of change approach helps stakeholders to understand the programme theory for any intervention or change programme. The ToC is summarised in a logic model that establishes the rationale for an intervention and the context in which it sits, and shows the intended causal links between inputs, activities, and outcomes. Put simply, a Theory of Change is an approach used to map the connections between activities and outcomes, to explain how and why a programme is intended to work.

The LCF programme logic model was developed through an iterative approach drawing on the collective knowledge of LCF stakeholders and involving:

- A review of LCF programme documentation;
- Interviews with national stakeholders engaged in the design and/or implementation of the LCF (n=13). The sample was purposive and agreed with the DCMS. It included representatives from: DCMS; The Cabinet Office; TNL Community Fund; and the social investment sector including investors and intermediaries. Interviews were undertaken between November 2017 and February 2018;
- A workshop with representation from DCMS and TNL Community Fund to test out, discuss and refine an indicative first model; and
- Further refinement, testing and consultation with programme stakeholders including those who were not able to attend the workshop.

The logic model is presented in appendix 1 of this report. In summary this sets out:

- The **rationale** for the programme covering the role played by SIBs in public service reform and how the LCF aims to address some of the challenges inherent in establishing a SIB.
- The **inputs** to the programme including: the **funding** available from government, the outcome payments leveraged by local commissioners and the costs incurred ‘in-kind’ by applicants; the range of **expertise, advice and support** available to applicants and delivered by the LCF delivery partnership[8] as well as investors and intermediaries; and **data and evaluation** inputs.
- The **outcomes** the programme aims to achieve for four key groups: service beneficiaries; the wider commissioning and social outcomes investment

[8] The ‘LCF delivery partnership’ refers to DCMS, TNL Community Fund, Traverse and GO Lab who together manage, provide expertise and otherwise support the implementation of the Fund.

environments (related to LCF Objectives 1, 2, 3 and 7) and the provider market (related to objectives 4,5 and 6).

- The impacts or high-level effects the programme is working towards. Again, these are set out for the three groups above. Those pertaining to the commissioning environment and the social outcomes investment market relate to LCF Objectives 3, 4, 6 and 7. Objective 5 relates to the impact for the provider market.

Evidence for any causal links between activities and outcomes emerging from evidence presented in this report is indicated by dashed arrows in the revised logic model presented in appendix 1. This will be explored further in subsequent reports drawing on a wider evidence base of successful SIBs. Key enabling and constraining factors that impact on the ability of the programme to achieve outcomes are also explored in the body of this report[9].

Main stage fieldwork

Alongside attendance at meetings and workshops organised and delivered by GO Lab, DCMS and TNL Community Fund the evaluation methodology has so far comprised:

- Qualitative telephone interviews with applicants from all three rounds **whose applications were unsuccessful or who withdrew following submission of an expression of interest (EoI)** (n=16 - R1 n=3, R2 n=5, R3 n=8). All applicants who had failed at EoI were contacted multiple times and invited to take part in an interview. For round 1 there were 15 applicants who failed at this stage (out of 42), at round 2, 13 (out of 40) and at round 3, 41 (out of 104). In total, 69 out of 186 applications failed at the EOI stage. Response rates from all three rounds were poor and this was due to a combination of reasons including: the time lag between submission of EoI and fieldwork; the fact that many applications, were speculative or from small provider organisations; some applicants no longer employed in the organisation or not able to remember making the application; and in two cases the organisation no longer in existence. This meant that all applicants that were available and willing to take part in the evaluation were interviewed. The interviews lasted for between 45 minutes and one and a half hours, and took place between January 2018 and January 2019, as applicants became available for interview.
- Qualitative telephone interviews with **Round 1** applicants including those who:
  - **Were successful at EoI but who withdrew following full application** (n=8); All applicants that fitted this profile and who the authors were given the go-ahead by TNL Community Fund to contact were included; and
  - **Had an in-principle agreement and had completed their Final Set Up form** (interviews 24[10]). Again, all applicants that were given an in-principle agreement and who the authors were given the go-ahead to interview were included.

  The interviews took place between April 2018 and January 2019, with interviews lasting between one and one and a half hours.
- Qualitative interviews with Round 2 applicants who **withdrew following full application and will not be progressing their applications further** (n=3). As before all those withdrawing their application at this stage and who TNL

[9] An unpublished baseline report based on findings from the scoping phase precedes this report.

[10] Some applicants were interviewed twice or three times

Community Fund were happy for the authors to approach were interviewed. The interviews took place between April 2018 and January 2019, and each lasted for between one and one and a half hours.

- Interviews with **programme stakeholders** (n=6). Again, the sample was purposive, agreed with DCMS and included representatives from DCMS and TNL Community Fund. Stakeholders from the first round who were no longer involved in the LCF were not interviewed at this stage. The interviews were undertaken by telephone, lasted for approximately one hour, and included a combination of single and group interviews (10 individuals in total).
- Three **R1 case studies of projects that have proceeded to early implementation,** involving interviews with commissioners, providers, investors and intermediaries in each case. Three case studies were included out of four R1 projects that had launched with the fourth preferring to be involved in the evaluation at a later date once the project has had a chance to become fully operational. The case study fieldwork took place between December 2018 and January 2019, and featured telephone interviews with between four and five individuals in each case study, which lasted for between 45 minutes and one and a half hours.

Consequently, this report focuses primarily on the experiences of applicants for Round 1 and Round 2 of the programme (with some Round 3 applicants withdrawing at the EoI stage also being included n=8). Successful applicants are represented by three case studies with successful Round 1 projects that had just gone live, with the experiences of other successful applicants being reported in the final evaluation report.

1.3 Structure of this report

The remainder of this report is structured as follows:

- Section two provides an overview of progress with the programme to date;
- Section three presents the experiences of a sample of applicants at the EoI and full application stages;
- Section four provides three project case studies of projects reaching final set-up; and
- Section five – Interim conclusions and lessons learnt.

Annex 1 provides the programme logic model.

2 Overview of progress to date

This section begins with an overview of the successful applications to the LCF which had launched (i.e. started to deliver services) as at the week commencing 4 March 2019, and the projects in the pipeline which had received an 'in principle' offer and were rated on their likelihood of being taken forward. The data is drawn from:

- The LCF data platform (offer letter baseline, for Table 2.1) – as at w/c 4 March 2019; and
- In-principle offer letters (for Table 2.2)

It is important to note that the dynamic nature of the application process means that in some cases the data presented is likely to have changed as the projects move towards implementation.

After this overview, the findings from a set of interviews with programme stakeholders involved in the implementation of the LCF are presented, detailing their perspectives on the progress and successes of the LCF to date.

2.1 Projects launched from Rounds 1 and 2 to date

Table 2.1 below provides an overview of the successful applications to the LCF under Round 1 (Drug and Alcohol Dependency and Children's Services themes) and Round 2 of the programme (Early Years and Young People themes) which have started to deliver services to date. As the table shows:

- **Six applications from Rounds 1 and 2 had successfully launched**, having received their final offer letter and were starting to implement their projects. Of these:
  - Two were under the Young People's theme;
  - Two under the Drugs and Alcohol Dependency theme;
  - One under the Healthy Lives theme; and
  - One under the Children's Service theme.
- **Lead applicants and providers** – four projects were commissioner and two were provider led; with the providers being voluntary sector led in each case.
- **Project scale and value** – the scale of the projects, in terms of total outcome payments available and expected participant numbers, varied considerably, with:
  - The value of outcome payments available ranging from over £1.3 million to £6.3 million, with £18.51 million in total and with an average value of around £3.1 million; and
  - The expected numbers of participants also varied, from just 48 to 2,410, with a total of 4,227 and an average of 705 participants.
- **Funding composition** – in terms of the LCF and commissioner contributions to the available outcome payments:
  - The LCF contribution represented between 11% and 45% of the total outcome value available, with an average contribution of 32%. The LCF guidance set out that projects should aim for a 20% contribution from LCF. The same guidance also mentioned that LCF would provide a ‘minority contribution’, which would mean a maximum of 49% of the total outcome value.

Table 2.1 Summary overview of successful applications under Rounds 1 and 2 of the LCF

Theme(s)	Project Name	Year launched (start of service provision)	Project duration	Lead applicant	Lead applicant type	Provider type	Expected participant numbers	Total estimated maximum outcome payments* + source	Social investors
Drug and Alcohol Dependency	Cornwall Frequent Attenders Project	Launched 2018	5 years	Addaction	Provider	Voluntary sector	705	£2,230,000 Commissioner: 65% LCF: 35%	Big Issue Invest
Drug and Alcohol Dependency	Supporting Employment for Substance Abusers in N W London	Launched 2018	4 years	London Borough of Ealing, on behalf of the West London Alliance	Commissioner	Voluntary sector	2,410	£2,380,000 Commissioner: 55% LCF: 45%	Big Issue Invest
Children's Services	Early intervention care prevention	Launched 2019	5 years	Suffolk County Council, Children and Young People's Services (CYPS)	Commissioner	Voluntary sector	288	£3,700,000 Commissioner: 89% LCF: 11%	Bridges Fund Management
Young People	FutureU	Launched 2018	5 years	Futures Advice, Skills and Employment Ltd	Provider	Voluntary sector	560	£2,550,000 Commissioner: 65% LCF: 35%	Social and Sustainable Capital
Young People	Big Picture Learning in Doncaster	Launched 2019	6 years	Doncaster MBC	Commissioner	Voluntary sector	220	£6,310,000 Commissioner: 71% LCF: 29%	Big Issue Invest
Healthy lives	Independent Community Parent and Child Assessment Service	Launched /2019	5 years	Plymouth City Council	Commissioner	Voluntary sector	48	£1,340,000 Commissioner: 60% LCF: 40%	Bridges Fund Management
Total								**Total outcome payments: £18,510,000**	**Total estimated investment secured*: £6,210,000**

Source: LCF data platform – offer letter baseline *rounded to the nearest 10,000

- **Investor involvement** – Big Issue Invest invested in three projects, Bridges Fund Management in two projects and one project received investment from Social and Sustainable Capital.

The amount of social investment committed in the successful Round 1 and 2 projects launching had attracted a total of around 6.21 million investment, as estimated at application stage.

2.2 Round 1, 2 and 3 projects in the pipeline

A red, amber and green system is used to assess the likelihood of projects currently in the pipeline being taken forward. Projects positions on this scale will change over time, but an overview of the number of projects in each group is provided in Table 2.2 below.

Table 2.2 Pipeline projects by likelihood of being taken forward

%	No. projects	Themes	LCF 'in principle' value
90-95%	4	Children's Services -3 Drugs and Alcohol – 1	£7.6 million
85-50%	21	Healthy Lives – 7 Young People – 5 Children's Services – 4 Older People – 2 Early Years – 1 Children's Services and Drugs and Alcohol – 1 Innovation – 1	£51.5 million
40%-20%	10	Young People – 4 Healthy Lives – 3 Children's Services – 1 Drugs and Alcohol – 1 Innovation – 1	£17,875,000
0% - withdrawn	3	Children's Services – 2 Drugs and Alcohol – 1	£1,010,000
Total to be taken forward	**35**		**£76,975,000**

Source: In-principle offer letters

As the table shows, the current project pipeline suggests a potential LCF contribution of £76,975,000 across the 35 current live applications, ignoring the three applications with a 0% likelihood of moving forward. Due to attrition, the contributing amount is likely to be lower once all projects are set up. The most common themes amongst the current pipeline are Healthy Living (10), Young People (9) and Children's Services (8).

2.3 Stakeholder perspectives on LCF progress

2.3.1 Implementation: progress to date

Stakeholders involved in the implementation of the Fund reported that they were pleased that the programme was broadly on track while stressing that it had taken longer than anticipated to get successful SIBs off the ground. This was particularly the case for Round 1 SIBs, with Rounds 2 and 3 projects developing in shorter timeframes. One interviewee reflected that the complexity inherent in establishing a SIB means that it is important not to rush their design with the observation that the LCF ambition to make the process of setting up SIBs easier and quicker might not be possible in all cases.

At the time of fieldwork (December 2018-February 2019) interviewees reported that a total of seven projects had "gone live", with one project already delivering against its outcomes. In line with expectations the LCF has funded more SIBs in policy areas where there is a track record of SIB funded services; notably within children's services. While this was not unexpected some stakeholders felt that it would have been good to have been able to fund projects that reflected a broader range of policy themes, notwithstanding the expectation that there would be a slower uptake in areas where there is less of a blueprint to build on. It should be pointed out however, that projects across any policy theme were allowed to apply in subsequent rounds, but some policy areas were not specifically mentioned in the guidance (for example homelessness).

In reference to attrition levels, interviewees reported that they were roughly where they thought they would be but described a small number of disappointing dropouts where SIBs had failed to launch despite concerted efforts to bring them to fruition. There was an expectation of more attrition going forward although there has been a degree of over-programming (where potential commitments exceed the value of available LCF funding) in anticipation of this.

There was satisfaction expressed over the level of innovation in some applications with the caveat that while no project uses a wholly new intervention, some projects are clearly presenting different ways of doing things that diverge from business as usual. Particular reference was made to two projects currently under development that aim to use their LCF projects as a catalyst for wider system change, including, in both cases embedding an outcome based approach to commissioning[11]. Interviewees expressed interest in seeing how this pans out in reality and to what extent SIBs can be used to effect public service transformation.

In line with LCF expectations, most bids, as well as most of the successful bids, have been commissioner-led. However, interviewees were pleased that there had been a reasonable level of responses from providers (approximately 25% of bids) as well as a few examples of where a commissioner had taken over the bid from a provider.

Even though the LCF has clearly increased the number of live SIBs in England, there was recognition that the programme aim of achieving a growth in the SIB market was challenging and that while more could be done to stimulate expansion this would not all happen within the context of the LCF. Some policy areas were identified as lending themselves better to SIB development and could therefore be a

[11] One of these projects is a multi-SIB seeking over £20m in funding from LCF while the other, is smaller seeking to secure over £1m in funding from LCF

focus for growing the market going forward. For example, homelessness was suggested as an area for potential growth and in particular services that speak to the UK government's current policy agenda around preventing homelessness. Children's Services were also identified as lending themselves well to SIBs particularly as there is a clear demonstrable link between outcomes and savings accruing to children's services commissioners.

Interviewees discussed the small number of investors currently engaging with LCF SIBs, explaining that those engaged were able to meet demand from LCF. It was also recognised that capacity in terms of the specific knowledge required to structure social investment deals could also be a factor. While investors were recognised as socially motivated, they were also described as risk averse to a degree. Interviewees explained that in some cases projects were not always lined up with an investor who had particular experience of their policy area and that the delivery partnership has been trying to unblock this issue. Conversations are currently being held to explore how other types of investors, for example trusts and foundations, can be engaged with to support projects later in the pipeline.

2.3.2 Key challenges

Interviewees highlighted the diversity of projects proposed in bid applications in terms of their scale, policy focus and intended participant groups, meaning the scale and nature of problems each experience is very different. This means that while standard tools, such as those developed by GO Lab are useful, support also needs to be tailored and there is the need to work closely with local projects in *'a more hands-on way'*. Even with an intense level of support, there was recognition that success was dependant on the specific context within which each project was set, and the potential enablers, issues and challenges faced, and that the feasibility of a SIB is contingent upon what is happening locally and nationally in the commissioning environment.

A number of challenges were raised by interviewees pertaining both to applicants and the LCF delivery partnership:

- **Achieving buy-in and engaging with key stakeholders (including commissioners, providers and investors):** Political support was identified as requiring active management in some areas - particularly in those councils where antipathy towards SIBs was reportedly high. The importance of open and honest communication to 'demystify SIBs' was highlighted and the time needed to engage in meaningful conversations stressed. Of the projects that have dropped out of the LCF at EOI stage and beyond, a higher proportion have been provider-led bids than commissioner-led bids. This is largely due to their struggle to engage with commissioners. Interviewees also discussed how important it is to ensure investors are engaged at the right point in SIB development. Traverse was identified as a key facilitator in this engagement process.
- **Keeping project applicants engaged over time:** This challenge is linked to the time it takes to develop a SIB. Flexibility is cited as essential, in order to maintain open lines of communication among stakeholders that enable projects to develop iteratively.
- **Demonstrating cashable savings**: This can be a 'make or break' for commissioners and in particular for those in CCGs. Getting commissioner commitment where savings are distributed across different organisations or sectors is particularly challenging.

- **Propensity for commissioners to put short term outcomes first:** Some interviewees noted that commissioners often prefer to commit to paying for short term outcomes identifying longer term outcomes as too risky. The observation was made that this could this could potentially represent a move in attention away from such longer-term outcomes, obstructing a shift towards preventative activities and limiting the resulting evidence base.
- **Getting the technical aspects right:** This was identified as the most challenging aspect of SIB development for applicants and was a question of having both the capacity and the analytical and technical expertise. Developing the payment mechanism and determining how to realistically price outcomes was described as particularly difficult – especially where the existing evidence base was weak. Getting the investor on board to support this process and 'to test the viability of the financial model' was identified as important although there was recognition that this could be difficult. Undertaking robust needs assessments to inform service design and the effective targeting of intended cohorts was also described as challenging, although SIBs were credited with sharpening commissioner thinking around this.
- **Public sector financial accounting**: High levels of budget uncertainty were described as having emerged as a key barrier in some local authorities. Where commissioners were unsure of their funding priorities going forward, they could be reluctant to commit to funding areas of work that might not continue to be a priority further down the line. Even where the project outcomes were likely to continue to be a priority, local authority's short-term accounting cycles could make long-term commitments to uncertain funding levels challenging.
- **Complexity of the LCF delivery partnership:** One interviewee described the number of stakeholders involved in the delivery of the LCF as offering advantages but also challenges. This interviewee perceived the proximity of the DCMS to the programme as *'very hands on'* which '*can make applicants nervous or confused',* while the expertise on offer was a clear advantage.

2.3.3 Key enablers

The quality and scale of the support provided to applicants both through the development grant and by the different members of the LCF delivery partnership[12] was identified by programme stakeholders as a key enabler for the development of successful SIB applications.

- The development grant was described as indispensable, having enabled applicants to secure the technical support that they need to develop the technical elements of their projects. However, there was the recognition that on-going support is needed in particular with developing the detailed payment mechanism which often comes later in the stage of SIB development.
- The partnership with GO Lab was described as 'crucial' in this area and the importance of the work they have done to develop tools such as the 'Readiness Framework' and accompanying guidance was highlighted.
- The support contract delivered through Traverse was described as growing in importance now that the programme is moving towards implementation. They were described as providing a '*bit of calming voice'* mitigating fears and

[12] The delivery partnership refers to the LCF collaborative partnership between TNL Community Fund, GO Lab, Centre for SIBs and Traverse.

supporting the growth of collaborative working among applicant stakeholders. Traverse were also described as important in supporting dialogue between applicants and investors. Growing the peer network and creating opportunities for peer learning was also identified as working well with feedback indicating that this is highly valued among projects. The delivery partnership has also established effective processes for supporting applications to come to fruition. For example, the 'Readiness Support Group' that meets monthly to review the status of applicants and their support needs was described as an effective forum for case managing bids.

There was a consensus view that collaborative working across the delivery partnership has been productive. Partners were felt to have worked well together in seeking solutions to problems, coming together to lend expertise and support to projects when needed:

> *'It's impressive how quickly they have been able to mobilise to diagnose problems and provide support but also to encourage open dialogue around problems'.*

2.3.4 Learning

There has been a recent in-depth review across the delivery partnership and with investors to consider Fund progress and establish how processes can be refined and improved. Stakeholders concurred that they remain focused on facing challenges and are committed to making things work as well as they can. A key development has been a shift towards getting closer to projects' and providing hands-on support to ensure effective implementation now that the programme has moved to delivery.

Interviewees described how the delivery partnership's approach to supporting projects has evolved over time and compared this to original expectations. Some mis-alignment of expectations of what needs to be in place before a SIB can launch were described in particular between some round 1 applicants and the delivery partnership with the former tending to underestimate the level of detail that needs to be in place to proceed with a SIB. This has driven a shift towards a co-commissioning approach in acknowledgement of the complexity inherent in SIB design, and the need to work collaboratively and flexibly as a result of this. The delivery partnership has also become more flexible around timescales in recognition of the challenges faced by applicants to build the technical aspects of the SIB, including difficulties in bringing together the data and other intelligence required for this. The current challenge for the delivery partnership is that, due to the longer than expected timeframes for rounds 1 and 2 there is a concentration of projects at point of launch, making this an intense period of work for them.

Some of the key learning points identified by interviewees were as follows:

- **Timely support:** A key thing to recognise is the need for timely support to projects; good communication is key to knowing when projects require active input. Support may be needed throughout but especially in the later stages of the SIB development process. Stakeholders reported that they had learnt a lot about how best to support applicants to develop a SIB and have carried this learning from Round 1 into Rounds 2 and 3.
- **Honest communication and open dialogue:** Continual communication is needed between the delivery partnership and LCF applicants to ensure projects

stay engaged. The need to establish good collaborative partnerships between all stakeholders was clearly indicated.

- **Encouragement to keep going:** Not only technical support but on-going encouragement was seen as critical as *'…it's easy to assume that the only need is to support people with the technical aspects of the bid but giving people the confidence to carry on is very important. People need support to believe that the SIB can succeed and that its worth pursuing'.* This involves *'getting back to basics'* and emphasising that the LCF is ultimately about improving people's lives, targeting need and making services more effective.
- **A co-commissioning approach:** Interviewees described a growing understanding of the need to manage the Fund in a different way to traditional grant giving processes. They described how the delivery partnership has moved towards a more reflective partnering approach, with a much closer involvement in the structures and processes of the projects that they fund. This shift will be important going forward as the role they play '*in getting out and about and talking to projects…identifying any issues and offering support'* grows during implementation. There are currently plans to establish a steering group to oversee this process, with senior representation from Whitehall as well as key external stakeholders.
- **The need to maximise learning:** With the aspiration to develop SIBs as a mainstream mechanism for commissioning, there is an acknowledged need to draw on the experiential knowledge of people who have already developed SIBs to share knowledge and expertise. This process is being supported GO Lab with the expectation that the LCF will provide a legacy of learning with lots of peer learning built in. The data platform is also expected to be a significant resource for data and evidence, providing project and thematic level intelligence. Three large-scale transformation projects in the pipeline may provide examples of how SIBs might be used to drive wider system change and be a source of learning going forward.

2.3.5 Key challenges going forward

Stakeholders identified a number of evolving challenges for the programme:

- **Capacity and ongoing support once projects launch:** As projects launch the resource required to undertake the work needed to deliver the SIB may be scarce on both the commissioner and investor sides. SIBs were identified as often driven by individuals meaning that when key figures leave they can be left vulnerable. This suggests the need to ensure that the structures around the Fund continue so that effective support can be offered during the delivery stage.
- **Building the evidence base on the effectiveness of the SIB mechanism:** An on-going challenge for the delivery partnership is to find projects that will lend themselves to a robust impact evaluation of the SIB mechanism (as distinct from the intervention) and hence deliver evidence on whether SIBs can be more effective than other commissioning approaches.
- **Loss of intelligence from the system:** There is a risk that people will move on with a subsequent loss of expertise and intelligence from the system. The challenge is to ensure that knowledge is retained both at the programme and project levels, and that opportunities for learning are maximised. This is both at the project and programme level, and across the different strands of the evaluation.

- **Risk that projects don't fulfil expectations in terms of achieving their outcomes:** stakeholders were, however, hopeful that the amount of work that had gone into ensuring projects are robust would mitigate this risk to a large extent.

2.4 Summary

It is too early in the Fund's lifetime to comment decisively on the extent to which the programme has met the key objectives 1, 3, 5, 6 and 7 (see 1.1 above). At the time of writing six new SIB-based projects had launched including two under the Drug and Alcohol Dependency theme, one under the Children's Services theme, two under the Young People theme and one under the Healthy Lives theme. These can be described as being at the lower/middle range of the investment scale when compared to other UK SIBs[13] with an estimated total of around £6.21 million social investment secured at application stage and an LCF contribution of £5.5 million across the six projects. The programme pipeline however suggests that if current planned projects launch successfully the programme will meet its aspiration of leveraging £320 million in commissioner outcome payments through the LCF top-up contribution of £80m.

Of the six SIBs that have so far launched, the application process for two was led by VCSE providers[14], and all projects are being delivered by voluntary sector organisations. This provides emerging evidence of progress towards the Fund's objective of increasing the amount of capital available to VCSE sector providers.

Programme stakeholders are broadly satisfied with the progress of the LCF to date while recognising that timelines for getting early projects established have been somewhat more drawn out than anticipated. This reflects the complexity inherent in designing and establishing a SIB and interviewees described a number of on-going challenges facing both applicants and the delivery partnership. Principal amongst these was securing and maintaining buy-in with stakeholders including commissioners and investors. Time taken to engage in open and meaningful conversation and to 'demystify' SIBs was described as key to successful engagement.

The delivery partnership has evolved a 'co-commissioning' approach to supporting the establishment of new SIBs based on a growing understanding of the need to provide applicants with support that is both tailored and flexible. Maximising the learning is a key priority going forward to ensure that intelligence yielded is not lost from the system but continues to contribute towards the Fund's second objective of making it easier and quicker to set up a SIB, the fourth objective of increasing social innovation and building an evidence base of what works, and the sixth objective of building the evidence base on the effectiveness of the SIB mechanism.

[13] See for example: Building the tools for public services to secure better outcomes: Collaboration, Prevention, Innovation, GO Lab, July 2018

[14] Although in the case of the Addaction project the provider was the named bid leader, it was officially submitted by the local authority.

3 Developing a SIB through the LCF: applicant experiences

This section reports the findings from a programme of interviews with LCF applicants who either:

- Submitted an EoI but were unsuccessful or subsequently withdrew from the application process before submission of a full application (n=16); or
- Submitted full applications but withdrew following submission of the application or at the final set-up stage (n=10).

In each case, applicants' experiences were explored in terms of: their reasons for applying and the expected benefits that would result, the challenges and barriers faced in preparing their applications/progressing towards implementation, the support received in preparing their applications, and the learning resulting.

3.1 Applicants who withdrew following EOI

Sixteen applicants were interviewed from across Rounds 1-3 who withdrew their application or whose applications were unsuccessful following the EOI stage. Of these, ten had applied on behalf of a third sector organisation, four of which were part of large national (federated) charities, and six from smaller more localised organisations. The remaining six had applied on behalf of a local authority and applicants were a mix of commissioners and externally appointed consultants. Projects applicants were hoping to fund comprised a mix of existing projects, projects that were in the pipeline or totally new initiatives that their organisation aspired to develop.

3.1.1 Perceived benefits

Besides alignment with organisational objectives the most common reason given for applying to the LCF was that it represented a funding opportunity in a challenging economic environment with few other available options. A combination of austerity measures and dwindling opportunities for grant funding meant applicants were keen to explore all potential funding streams:

[Name of area] is seriously strapped for cash…there is no money whatsoever…we were keen to develop the [new service] and felt that the LCF offered us a potential way of doing it'

For half the interviewed applicants (n=8) the LCF was the only funding opportunity that they were looking at as there were *'no other options on the table'.* Others had sought numerous funding opportunities but without success. For these applicants the LCF SIB represented one of a portfolio of alternative funding arrangements that they were willing to consider.

For commissioner-led applications the top-up element of the LCF was a key incentive. Where the financial modelling did not show clear cashable savings, the top-up represented the only financial benefit for their local authority: '*It would certainly would have helped the numbers add up at our end'*.

Only four of these applicants had had direct previous SIB experience. Of those that had, three (two local authority commissioners and one third sector provider) had applied to earlier LCF rounds, while the fourth had personally attended PbR events and briefings and sat within a local authority who had worked with a SIB. Applicants expressed differing levels of enthusiasm in engaging with a SIB with some expressing reservations while others reported being cautiously positive at the outset and interested to learn about alternative funding arrangements:

'You've always got to look creatively at the financing mechanism…it's important to explore a new option'.

'I was interested to see if a SIB could work and I thought it could raise the profile of the organisation if we did get it'

Applicants from VCSE organisations highlighted the advantage of a funding model that meant risk was carried by a third party:

'Charities are not in a position to take financial risks…we need money up front… we thought LCF may be a way to do it.'

While funding was clearly the key motivator in applying to the Fund those applicants with previous experience or knowledge of SIBs were able to identify a number of additional benefits that they thought developing a SIB might offer. These included:

- Better engagement with key partners;
- The 'honest broker' role of the social investor within the commissioning processes sitting between the local authority and private sector providers;
- Anticipation that the SIB would drive efficiency by bringing rigour to performance management and accountability; and
- An outcomes focus that would lead to better impacts for service beneficiaries.

3.1.2 Key challenges and barriers

3.1.2.1 For provider applicants: Commissioner engagement

A key challenge for provider applicants (both public and third sector) was to engage commissioners in the process of building the business case for their proposed SIB. Six applicants had had no engagement at all, and this appeared to be for one of two reasons:

1) **No proactive contact:** Four applicants were clearly fundamentally unprepared to make a SIB application and appeared to have little understanding of what was entailed; their applications were speculative, and they had not consulted either outside their organisations or internally with key stakeholders;
2) **Unresponsive commissioners:** Two had engaged with senior stakeholders and tried to engage with commissioners but had received no response *'we got buy-in from [senior management] but had absolutely no interest from commissioning…no buy-in at all'*

Three further applicants had made preliminary contact with commissioners but had failed to secure support for what they understood to be largely political, financial or strategic reasons. One had been planning to develop a preventative project targeting young people who were NEET. He had approached local commissioners but reported that he was unable to secure interest as the project did not speak to their strategic priorities, which were being principally framed around child protection. He implied that to be successful any application would need to be commissioner led, especially as prevention:

'…*has gone out of the window with recent squeezes on local authority funding… The [local authority] wants to be in the driving seat in terms of shaping what they want to fund'.*

A second reported that while he had made efforts to engage local authority commissioners and spoken with them informally there was *'no political appetite'* for SIBs in the region. He felt that while '*the idea of social investment potentially has a place'* current critiques of PbR contracting models were influential with both local commissioners and VCSE providers.

The third applicant reported that her local commissioners were expecting multiple provider-led applications to the LCF and that they were not going to engage formally until projects had received an initial go ahead from TNL Community Fund. In addition, she explained that the response she had had from her local authority was *'why on earth would we pay that much for outcomes at that scale?'* concluding, from the commissioner's point of view, that her project was *'never going to be viable'.*

3.1.2.2 For provider applicants: Difficulties in agreeing or developing appropriate outcome measures

Five provider applicants reported difficulties in establishing agreed or appropriate outcomes for their projects with commissioners. Different explanations were given for this:

- **Outcomes would not be realised for a considerable period of time** (five-seven years). One project aimed to work with primary school children who were at risk of becoming NEET in later years. The applicant explained that it would be difficult to establish either causal connections between the intervention and preventing a young person becoming NEET, or meaningful proxies that commissioners were likely to pay for. A second project aimed to establish a ten-year project that involved a 'test and learn' phase exploring potential approaches for reducing childhood obesity. Again, challenges were identified in establishing interim outcome measures that commissioners would be willing to pay for.
- **Difficulties in establishing clear outcome measures where the existing evidence base is weak:** One applicant explained that there was a problem establishing appropriate outcome in her area of early years development and that there were no agreed UK measures *'Outcome measures need to be useful and realistic, but they are just not there…the time frames need to be long... the government want outcome measures but they don't understand the difficulties in developing these'*
- **Lack of consensus over what the project was trying to achieve:** One applicant reported that while there was enormous cross sector enthusiasm for her project the steering group set up to develop the proposal *'debated the outcomes over and over again…there were so many good ideas putting the application together, but it was difficult to be clear on what we were trying to achieve'.*
- **Lack of strategic 'ownership' of outcomes:** The final applicant was looking to develop an innovative project supporting early language acquisition. She had approached commissioners from local CCGs and LA who had expressed initial interest. However, stakeholders were unable to agree 'where language fits' and whether outcomes would speak most directly to the strategic priorities of health or education.

3.1.2.3 Process too complex and/or resource intensive

Three applicants (out of 16 interviewed) reported that they had withdrawn following successful EoI submission as they felt that the process of proceeding to a full application would require too much resource and time to action. These applicants had not applied for the development grant but felt that even with this additional resource there was not sufficient internal resource to risk further investment in the process.

3.1.2.4 Project perceived as too risky or not appropriate for a SIB

Four projects withdrew from application or their application failed where the financial risks were felt to be too high or where the proposed project simply was not appropriate for a SIB contract.

- One VCSE-led project was considered '*too innovative'* and was advised by an intermediary that the proposed delivery model was *'testing too much that was unknown'.* The intermediary suggested it would be better suited to a '*philanthropic investor who wasn't looking for hard and fast results'*.
- A local authority-led proposal that aimed to support isolated older people was finally withdrawn as the project was new and as yet unproven and felt to be too financially risky for partner commissioners. Although both the CCG and local authority had initially agreed look at match funding, budgetary constraints meant that longer-term funding was not possible to secure: *'The commitment was there to the approach but not the commitments in terms of funds…it was a bit too risky for people round the table'.*
- Two applicants had had previous success with SIB applications and were looking to fund existing projects that were underperforming relative to national benchmarks. Feedback received on their applications suggested that the return on investment would likely be low and the applications did not proceed beyond EOI. One applicant however went on to build a more robust business case for the project which was subsequently funded in-house.

3.1.3 Experiences of support received

Overall the application process at EOI stage was experienced as relatively straightforward. Applicants felt that it was clear what was required and that the weight of information required was '*about right'*. TNL Community Fund was experienced as responsive by those applicants who had emailed questions or communicated directly with a named contact, '*the communication from TNL Community Fund was absolutely superb.'* Applicants who had attended webinars reported that these were '*useful'* and a '*good way of understanding what the programme was about and how the funding worked'.* The information and guidance available online was also described as *'really useful'*.

Three applicants (out of 16 interviewed) had applied for a development grant to support their applications following EOI and those that had were generally positive about the support they received. Several applicants reported that their most important source of information had come from peer organisations with previous experience of working with SIBs.

'[Name of local authority] had commissioned their [name of service] through a SIB so it was useful for us to go through their financial modelling and set-up. [Name of second LA] also has a successful in-house [name of service] so we had a lot of interesting calls with them to see how things were working in practice'.

Several applicants were unhappy about the level of detail given in the feedback that they had received when their applications were unsuccessful and were unclear as to why they had failed. While they appreciated that this was probably a function of the number of applications LCF had received they nonetheless would have preferred a more thorough explanation of why their bids had not been accepted:

'This was probably one of our biggest disappointments with the process…it sort of felt like a gentle let-down. I appreciated it on a human level, but it probably wasn't what we needed from a programme point of view'.

'We didn't receive any feedback at all, beyond an email that said that we were unsuccessful. I think they were inundated with bids and so couldn't respond to all of them'.

Some interviewees speculated on the reasoning behind their failed applications suggesting explanations of their own:

'We would have liked more detail. I wonder if the fact that our service already has a strong evidence base it worked against us…I'm not whether the LCF is looking to extend the evidence base for existing interventions or develop an evidence base for new ones'.

'More information would have been useful…. the specific reason why we weren't successful…. Was LCF looking for other priority areas, or were we rejected because the standard of our bid wasn't good enough? What were the criteria for final decisions? Some feedback would have been useful.'

One VCSE applicant reported that he generally experienced TNL Community Fund as '*unresponsive*' and that he had *'no sense of whether the decision against us was reasonable as I have no idea what bids went through with which to compare or see what TNL Community Fund were looking for'.*

3.1.4 Lessons learned

Ten of the 16 applicants reported that they would consider working through a SIB in future provided there was adequate internal and stakeholder resource as well as support in developing the technical aspects of a SIB. Interviewees emphasised the scale of internal work needed to put a viable SIB together in addition to any specialist or external resource. The top-up element was also seen as critical and most reported that they would not consider a SIB without one.

Applicants reported that the process of putting their EoI together had yielded some important learning for both themselves and their organisations. This was on a number of levels including greater knowledge and expertise in putting together a SIB that could be carried forward to support any future opportunities:

'If something similar came along then we would go for it again. I've got a much better understanding of how SIBs work…what they are about…, it was learning process'

'As an organisation [the LCF has] really moved us forward in terms of SIBs…this was the vehicle that finally got us over the line in terms of delivering one so that's beneficial in terms of an organisational point of view'.

This was also the case for some applicants who had retained a degree of scepticism about SIBs. For example, this applicant was still undecided about SIBs but nonetheless felt that being involved in the LCF had helped her to formulate project ideas and move her ideas forward into a business plan:

'I've got mixed views because I don't know really if it's money coming into the sector or actually it's just allowing private investors to top slice money that should go directly for

the work... that said, as the funding landscape becomes more competitive, even though the upfront work for SIBs is more time consuming, once you have a strong business case with strong outcome measures then it is pretty straightforward to convince investors to fund the work'.

The process of applying to the LCF was also reported to have:

- Helped dispel some of the myths about the types of projects that could be funded through a SIB. However, the concerns about the complexity of a SIB compared to 'normal' commissioning were felt to have been borne out, as was the challenge in demonstrating the cost benefits of an intervention;
- Tightened up understanding of the true financial costs of delivering a particular intervention;
- Supported partnership working across health and local authorities and across VCSE and public sector organisations. '*The bid got people energised and kickstarted partnership working across the sectors, and with different organisations… so it wasn't a waste of time.*

3.1.5 Summary

For applicants who did not proceed beyond EoI the most commonly cited reason for applying to the LCF was that it represented a rare funding opportunity in an economic environment that offered few alternatives.

For provider applicants the key challenge faced was to engage commissioners in their bids and failure to do so was the major reason for their subsequent withdrawal. It was clear that some bids were highly speculative and the lack of proactive engagement with any commissioners meant they could not have proceeded further. In other cases, proposed projects evidently did not speak to the strategic priorities of local commissioners suggesting a potential limit to the role of the VCSE in shaping the pattern of service provision through a SIB mechanism. Applicants also encountered difficulties in working through the more technical aspects of their bids and in particular in agreeing or developing appropriate outcome measures. This included where the evidence base for the intervention was weak or where outcomes may not be realised for some time. Complexity and limited resources were barriers for two applicants. SIBs are often claimed to promote innovative approaches to service delivery by focusing on outcomes rather than process. Two applications in this sample however were described as not progressing because they were considered too innovative or untested thus representing too big an investment risk. This suggests that in the SIB context innovation is better understood as enabling flexibility or adaptability in delivery rather than promoting new or highly creative approaches.

For those applicants who had accessed support from the LCF delivery partnership this was experienced as positive and helpful. However, some applicants were unhappy with the level of feedback they had received and remained unclear as to why their bids had not been progressed to the next stage. Nonetheless the majority of applicants would consider developing a future SIB given the right level of support in particular in developing the technical aspects of a bid.

3.2 Applicants who withdrew at final set up or following full application

Eleven applicants were interviewed across Rounds 1 and 2 who had withdrawn their application following either full application or at final set up stage. Eight were from Round 1 of whom four had applied under the Drugs and Alcohol theme, one under the Children's Services theme and three that aimed to work across both themes. Two Round 2 applicants had applied under the Young People theme and the third under multiple themes. Four applicants were third sector providers, one an NHS provider and the remaining six were local authority commissioners.

Each applicants experience was highly individual and contingent upon local context and the nature of what they were trying to achieve. It has not been possible to reflect this level of detail as experiences are not presented as case studies and there is the need to preserve the anonymity of interviewees.

3.2.1 Reasons for applying

Applicants described a complex mix of reasons for applying to the LCF and developing a SIB funded project. These involved a combination of the following key factors.

Financial pressures: the LCF top-up and development grant: Five interviewees (out of 11 interviewed) described the top-up element of the LCF as the major reason behind their decision to apply. This was in the context of shrinking local authority budgets and the *'need to do more with less'*. For one of these the LCF had provided the stimulus to design a project from scratch around SIB principles while others were looking for more sustainable funding to grow existing work or fill gaps in provision. One interviewee explained that the level of LCF funding he was seeking was equivalent to the reduction in funding his service had just received so that the planned initiative was clearly something they could not have afforded without the LCF top-up. The development grant was also critical for these applicants without which they were doubtful they would have had the capacity to design a SIB.

Financial pressures: delivering cashable saving. For commissioners, the LCF represented a *'very attractive opportunity to galvanise a project that would deliver cashable savings.'* Some had made their application at a point when financial pressures within their local authority were particularly high due to a combination of increased demand for high end (and therefore) expensive services and rising costs. For example, one commissioner described how his local authority needed to generate £4m of savings through a raft of initiatives and processes including two preventative projects aimed at preventing children on the edge of care from becoming looked after. These had received short-term funding and the LCF offered the opportunity to build on this work and provide longer term sustainability. The authority had also been piloting a small-scale project through invest to save on a PbR basis so were hoping to build on this.

Long-term funding opportunity: Access to funding that went beyond the short-term was seen as very attractive for a number of applicants. In some cases, a combination of austerity and short-term intermittent funding had seen certain areas of provision *'all but go to the wall'* making it very challenging for providers to achieve outcomes that require a long-term intervention approach. Some applicants were seeking funding for projects that were either in development or already being delivered but facing imminent funding cuts that would leave them vulnerable. For the latter the LCF represented an opportunity to build on the successes of projects that had previously been funded through short-term monies. For provider applicants the LCF represented an opportunity to avoid the pitfalls of short-term funding cycles such as instability in staff teams and difficulties in planning ahead. These applicants also stressed the need for them to explore multiple funding sources embracing the idea of a SIB as one of a suite of alternatives they would consider.

Building expertise in contracting via different funding models: Some commissioners and providers described a growing interest in new alternative funding models and in particular those that are tied to PbR. Commissioners expressed interest in invest-to save approaches and were looking to build on their growing expertise being willing to look at a range of alternatives between conventional commissioning and SIBs. For these applicants the LCF represented not only a safe testing ground but a potential catalyst to others within their organisations to consider adopting a SIB approach.

'The fact that applying wouldn't commit them to implementing a SIB also put to bed any nervousness about it all. It gave them an opportunity to explore the possibility but didn't rule out other approaches'.

Five commissioners described a level of political interest in SIBs within their organisations and an appetite for doing something new that represented a low financial risk. Third sector applicants recognised a need to respond to a changing financial climate and embrace new funding models that would support them to become more self-sufficient and less tied to public sector grants.

3.2.2 Experiences of developing the application

Applicants found completion of the EOI relatively straightforward describing the process as very similar to previous funding applications they had made. Proposed projects variously built on existing programmes of work or were designed as new interventions to meet needs that tallied with LCF priorities. This meant that the amount of work required at EOI varied and could also mean that detail was substantially changed at full application. For example, one applicant had built the initial delivery model for his project around guidance from a single provider who had approached him to apply to the LCF. The delivery model was changed considerably at full application to ensure that the needs of the commissioner were better met.

Some applicants had undertaken extensive needs assessment and other development work at EOI including collection and analysis of service data and visits to other areas delivering similar work. However, for all applicants the bulk of the SIB development work was done at the full application stage. The length of time taken to develop a full application varied widely between projects with Round 2 applications taking considerably less time to develop than those in Round 1 reflecting the shorter application timelines established following learning from Round 1.

Use of the development grant and other support received:

Each of the applicants interviewed had applied for the development grant before full application. A condition of the development grant was that it had to be used to commission external support rather than spent internally on realising capacity. Most applicants went through a formal procurement exercise to appoint a consultant or intermediary to help them with the technical elements of their SIB proposal. A range of organisations were commissioned from established intermediaries to charities and small consultancies.

In general applicants worked well with their external consultants and in some cases reported that they could not have developed their SIB without them. However, a number reported that they would have appreciated the opportunity to use their grant to fund more internal development work as this would have given them greater control over the development process and generated more internal learning. Furthermore, the procurement process was experienced as over-complicated and time consuming by some commissioning organisations with the reflection that this time could have been better spent in developing their SIB.

Three applicants (out of 11 interviewed) expressed dissatisfaction with the service they had received from external consultants or intermediaries. This was for various reasons including inadequate reporting, a failure to lead elements for which they had responsibility and a confusion over respective roles. One applicant was particularly unhappy with the service they had received describing their external support as '*condescending and patronising'* and lacking the necessary subject knowledge and expertise. Furthermore, the interviewee felt that:

'They kept pressurising people within the council for more and more data…which was mostly unnecessary…the model they came up with was overcomplicated in my opinion…they produced a very glossy report but at the end of the day they cost a fortune for what was not a very helpful piece of work'.

By way of contrast a number of applicants were extremely pleased with their external consultants describing the development grant as 'crucial' to building the business case for their SIB and explaining that it would have been impossible to find the expertise and capacity in-house to proceed with an application. One VCSE applicant reported that he was very satisfied with the work done by his external consultancy:

'We've been really pleased with the work [Name] have done…they took the time to understand the kinds of services we deliver and developed a SIB model which fits with this. All I had to do is hand over all our cost and outcome data'.

Consultants were not only employed to develop the technical elements of the SIB model but were also used to support negotiation and dialogue with prospective stakeholders including partner commissioners. One provider applicant reported that their consultants had been very useful in this role as they *'understood local authorities, their language and the whole context in which they work'*. They were also reportedly good at 'myth busting' around SIBs helping to stem concerns around investment and risk. This interviewee contrasted the approach taken by their consultants with that of their investor explaining that while the investor was '*well-versed in the arguments'* they *'don't speak the language of local authorities...there is a cultural gap between them and local authorities which means they are just not on the same page'.*

Experiences of support received from the LCF delivery partnership varied widely with some applicants reporting that they had received no or very little support while others said they have found them *'incredibly helpful'*. One provider applicant felt that the LCF had been 'designed to be commissioner-led' and felt that more tailored support for providers would have been helpful including doing more to help 'warm-up commissioners'. Another felt that the LCF was attuned to a localised approach and was less able to support the non-localised project he was trying to develop. One commissioner applicant felt that they had been 'pushed' towards commissioning consultant support and would have appreciated a far greater degree of help and support from the LCF when they experienced their commissioned intermediary as unhelpful. A fourth described how they felt they had had little proactive communication or engagement from the Fund. Some applicants expressed confusion over who was actually 'leading' the LCF and what the various roles assigned to the TNL Community Fund, DCMS, Traverse and GO Lab were. Others however were overwhelming positive about the whole application process which was experienced as supportive and well thought-out.

For a minority of applicants, advice and guidance from peer organisations delivering similar projects was identified as the most valuable source of support they had accessed.

3.2.2.1 Developing the business case

Applicants had undertaken needs analyses for their prospective projects using a range of data sources and at different levels of sophistication. Approaches included risk factor analysis and a review of academic literature to help identify target groups and determine where and how best to focus proposed interventions. Service data was used to establish costs associated with poor outcomes and to estimate possible efficiencies if negative outcomes were avoided. Facilitating factors in this process included the availability of good data and a robust evidence base for proposed interventions. Some commissioners had recourse to extensive internal data bases enabling them to identify where savings could be made and so help build the economic case for their intervention. Development funds were typically used to support detailed financial modelling at this stage.

Financial modelling could be more challenging for provider applicants some of whom struggled to establish how much commissioners were spending on services, especially where spend was spread across different organisations and sectors. This in turn made it difficult to determine savings that might accrue to commissioners and hence make the case for funding.

3.2.2.2 Working with investors

Experiences of investor engagement varied between applicants with some contacting investors at the outset and others having either very little or no engagement.

Some applicants had engagement with multiple investors before deciding who to move forward with. In a small number of cases applicants had organised soft market events to help test the appetite of investors as well as providers. This provided a useful forum for dialogue while also stimulating applicants to consider the detail of their delivery models for example the numbers of beneficiaries needed to ensure the service and the SIB would be viable.

The importance of both investor subject knowledge and SIB experience were highlighted. Applicants clearly felt most comfortable where investors had in-depth knowledge of their service area and could provide support and expertise from the outset. This knowledge was identified as particularly useful in the procurement process with some investors described as having useful knowledge of appropriate providers.

Some applicants expressed surprise at the level of involvement or influence prospective investors could have on shaping their SIB development:

'*It's like investors are assumed to be a homogenous group and as being somehow secondary to the process of developing a SIB…that hasn't been my experience.'*

One applicant described how the investors he had engaged with had expressed a preference for a single provider against the multiple provider model he had been proposing on the basis that the latter represented too great a risk. This would have made a fundamental change to the project he had planned to develop which he perceived as a major challenge. Another commented on how varied he had found different investors in particular in terms of how the level of risk they would be willing to carry:

'My sense is that investors are very risk-focused and will vary the terms they offer accordingly. It's all about how much skin different players have in the game. The

appetite for risk really varied between the different investors we spoke to…I was quoted 8% return on investment by one and 15% by another'.

3.2.3 Key challenges in the SIB development process

3.2.3.1 Agreeing outcomes

Agreeing outcomes was a key point of challenge for many applicants in particular where SIBs were more complex and involved multiple commissioners. Attributing the achievement of outcomes to a proposed intervention clearly requires agreement over the causal links between the two and the assumptions that lie behind these. This is facilitated where there is a robust evidence base for the proposed intervention. However, even where the evidence base was strong some applicants reported that local commissioners treated national data with caution and wanted this to be fine-tuned at the local level before signing up to an outcome.

The wider problem of attribution in the context of multiple interventions that might contribute to proposed outcomes was also described as problematic. Hence, for example, one applicant reported that it had been impossible to get agreement from CCGs to pay for mental health and substance use outcomes, due to the argument that their existing Improved Access to Psychological Therapies (IAPT) and drug and alcohol services were already delivering against these.

Where multiple commissioners representing different organisations were involved, reaching agreement about who should pay for which outcome could be difficult. For example, one project had identified a reduction in substance use as a secondary payment trigger based on the assumption that a multi-agency approach would reap better results for the target group. In this context it could be argued that both local authorities and CCGs would realise savings if the outcome were achieved. The applicant had had to do a considerable amount of work baselining this measure but had continued to struggle to reach agreement with commissioners.

Agreeing health outcomes was experienced as particularly difficult with some applicants commenting that CCGs were less interested in broader societal outcomes than local authorities and would only pay for outcomes that delivered unequivocal savings to them.

3.2.3.2 Stakeholder engagement and negotiation

Commissioner engagement emerged as the most challenging aspect of the SIB development process for the four VCSE provider applicants interviewed. This was particularly the case where the SIB involved multiple commissioners. Problems that these applicants encountered were overlapping but included aspects of the following:

- **General anxiety and risk aversion:** Interviewees identified a general level of fear and mistrust over the concept of SIBs coupled with a degree of risk aversion amongst the commissioners they had engaged with. One applicant described negotiation with commissioners as a *'a delicate process'* due to their apprehensions over the concept of SIBs. Another explained that his commissioners had *'got cold feet and pulled out'* as '*they just couldn't get their heads round the whole SIB concept'.*
- **Challenges and doubts over the level of outcome payments and cost-savings delivered:** In these four examples, commissioners clearly wanted unequivocal evidence that the project they were investing in would deliver clear cashable savings. Providers described lengthy negotiation processes with commissioners who in some

cases were seeking highly nuanced understandings of costs and potential returns. Concerns were also raised about the scale of financial savings, with some local authorities reporting that they did not believe these to be as significant as proposed. One provider was well supported through the financial modelling process by their investor but was still unable to counter reservations. In this case the success of the application depended on securing buy-in from a delivery partnership of commissioners who raised major challenges over the detail of outcome payments late into the SIB development process. Neither the applicant or investor were party to delivery partnership meetings so were only able to speculate on the detail of their reservations. For their part they were confident that they had answered commissioners questions and calmed their misgivings leading them to the conclusion that *'there was something else going on'* as even when they *'conceded that the financial modelling was correct…there was resistance to the idea of a SIB'.*

- **Local authority funding commitment:** A number of local authorities were reported to have stated that that they would be unable to meet the long-term funding commitment required by the proposed SIB, arguing that this would expose them to risk if funding priorities changed over time. Fears were also expressed about the fact that work completed in one year would not deliver demonstrable outcomes until subsequent years.
- **Political or ideological antipathy to SIBs:** Applicants identified a degree of ideological aversion amongst some commissioners to the whole concept of a SIB. One interviewee described how *'the idea of an investor brings up a narrative around privatisation, return on investment and making a profit'* which can sit uneasily with public sector employees. Anxieties also centred around the idea that interventions that had not previously been delivered through a SIB meant local authorities were offering something untested to their most vulnerable clients; and in the case of looked after children, potentially compromising their statutory obligations. Local authorities also raised questions about the potential for cherry picking and perverse incentives. In one example the provider had suggested circumventing this through a randomisation approach to working with the client group but reported that local authorities had objected to this for ethical reasons. By way of contrast, one local authority applicant cited lack of provider buy-in to working on a SIB as a key challenge. The commissioners had tried to address the concerns of providers firstly by organising a market engagement event and secondly by arranging for a local VCSE provider already working under a SIB to talk about their experiences and answer questions. However, this *'didn't fully get over their wariness'* and formed part of their decision to withdraw from the LCF application.
- **Engagement at the wrong level of the organisation:** in a small number of cases providers felt that they had not managed to engage with commissioners who were senior enough to make decisions and carry things forward. One provider reported that the local authority he had approached had pulled out and that *'…part of the problem was that our contact at the council was quite junior, and so didn't have the authority to push the deal through'.*
- **Loss of buy-in due to changes in leadership:** For one applicant that was trying to put together a SIB involving multiple commissioners a change in senior leadership in one council meant a loss of buy-in to the proposed SIB '*Those that had been driving it were no longer there and their replacements were challenging whether to have a [name of project] at all let alone one funded through a SIB'.*

3.2.4 Reasons for withdrawal

Interviewees identified a number of factors that contributed to the withdrawal of their LCF application. For each individual SIB the reasons given were complex. Withdrawal became the only option when challenges became too large. These included a combination of those issues detailed above most commonly: unresolved questions for commissioners and investors over proposed outcome payments and/or return on investment; local authority reluctance to commit to long term funding; questions over the viability of the SIB due to small-scale cohort size; and general reluctance to commit to a SIB for ideological reasons and/or fear of risk. For three commissioner-led SIBs the key reason for withdrawal was the fact that internal service improvement initiatives had started to deliver outcomes, reduced demand for services and in two cases yielded substantial savings. Where these had supported a reduction in financial pressures the rationale for the SIB had been rendered obsolete and meant the financial model *'no longer stacked up'.* For example, for one Children's Services SIB the applicants had created a tariff based on a series of milestones around care days saved. Projected demand for the service was based on data from the years prior to putting in place a raft of new measures aimed at preventing children coming into care. These initiatives had started to substantially reduce the numbers of children in care, including those in high cost residential care. These achievements clearly meant the original metrics on which the SIB had been built no longer held up and so the decision to withdraw was made.

3.2.5 Impact and learning

3.2.5.1 Learning for providers

Applicants reported substantial learning from their LCF application experience. For providers this centred on the challenges inherent in trying to lead a SIB and in particular with securing buy-in from commissioners. Provider applicants described the following key learning points that they would carry with them to any future SIB development:

SIBs can have far more negative connotations for local authorities than originally anticipated or appreciated: One provider described how she felt SIBs bring with them a lot of misunderstandings, or '*myths that can be unfounded but never busted'.* While PbR or payment for outcomes might represent better value, commissioners are fearful of moving away from 'fee for' services. Ethical objections were the particularly difficult to counter as there is *'distaste for the idea that someone might be making a profit'* or that funds will be diverted from the front-line: '*If investors are getting a return on investment then this represents money that is not going direct to children'.* Providers pointed out that some commissioners will want to know and always ask *'can we do this without the investor*?' leading to the conclusion that '*a massive cultural shift is needed to bring SIBs to the fore'.*

It's important to speak in a way that local authorities understand: Given the challenges in making the case for SIBs there is the need for both intermediaries and investors to be able to '*speak the language'* of local authorities in order to counter their mistrust. Furthermore, local authorities were described as not only risk averse but also very process-led. Governance arrangements and the bureaucracy associated with local government decision making means that getting sign off for any decision can be very slow. Providers felt that this was not always well understood and that it needs to be factored into the SIB development process from the outset. The ability to present information to Boards in a way that distils the complexity of a SIB to enable decision making and sign off to occur was also described as important.

There needs to be better understanding of the risks faced by local authorities when signing up to fund long term projects. This was a problem identified not only by providers but also commissioners. Some interviewees reflected that these risks were not as well appreciated by investors, intermediaries and the LCF delivery partnership and that there may be something the latter could do to enhance understanding of this.

Open communication and honesty about the risks involved is critical: interviewees reflected that the risk inherent in a SIB should not be underplayed and that honest discussions need to be had from the outset. Where SIBs are led by providers commissioners need to be open about their reservations and the likelihood of them committing to avoid spending time and resources in developing something that is unlikely to come to fruition.

Provider-led SIBs are particularly challenging and require additional support: two interviewees suggested that they would be unlikely *to 'enter into selling the SIB approach again'* as providers. They felt that there should be additional support through the LCF for bids that are not commissioner-led – particularly in places '*where SIBs are a foreign language'.*

3.2.5.2 Learning for commissioners

Applicants described how *'massively disappointed'* they were not to be able to go ahead with their SIB applications but explained that they were not averse to developing future SIBs providing the project was appropriate, the wider political context favourable and the financial case solid.

Commissioners reported that they had found the application process *'very rich and informative'* and that it had been a *'great learning experience'.* In particular, commissioners felt that they had better financial intelligence and higher quality data about their potential cohorts which they could use to inform future targeting and intervention.

'[We are] more self-aware...have better intelligence about our own metrics and our own finances. But also, the different ways of doing business in terms of finance…so the whole thing was very positive, yes very demanding in terms of the EOI and FA…but everyone was very supportive and very flexible'.

In terms of learning about the process of putting together a SIB commissioners raised the following points:

- It is important for commissioners to be committed to the project and its beneficiaries as well as benefiting from significant savings as a result of the achievement of the agreed outcomes;
- Engage with social investors early on in the process and before the full application is submitted. Social investors need to be involved in building the financial model and lending their expertise to establishing outcome metrics;
- Don't underestimate the *'awfully long time'* required to develop a SIB. This might mean strategic priorities change and buy-in is hard to maintain but the process cannot be rushed.

The following benefits of applying to the LCF were described:

- **The LCF has functioned as a catalyst for stimulating new approaches to commissioning:** interviewees reported that the SIB had enabled local commissioners to give serious consideration to using SIBs and other PbR contracts.

- **Improvements in commissioning practice:** The feasibility work done in-house and by commissioned consultants had provided new intelligence described as leading to direct improvements in service commissioning.
- **Improved partnership working:** some commissioners reported better partnership working with local providers as the process of identifying outcomes helped establish a shared vision for what they were trying to achieve. One reflected that the relationship between the commissioner, social investor and provider *'offers a very rich partnership. It is more of a true partnership, more of a commitment and a shared commitment to the outcomes. The power relationship feels different'.*
- **Better appreciation of the benefits offered by SIBs:** including access to sustainable funding for the longer-term; the opportunity for all parties to determine outcome measures that can be flexed and negotiated; and access to the financial expertise of social investors.

3.2.5.3 Suggestions for improvements in the LCF application process

Overall the process of applying to the LCF and the support that went with it was spoken of in positive terms. Advice received along with offers of direct support, for example in having conversations with different stakeholders was much appreciated. Where applicants had experienced the Fund as flexible and responsive this was highly valued in particular where there had been flexibility around timeframes and changes to the delivery model and its metrics.

'The whole interface with the LCF was a positive one…There was absolutely nothing about the process that we would be critical of. It was a very rich and informative process…and we are very, very disappointed to withdraw…not many LAs would turn down a grant offer of that size'.

GO Lab was also praised as '*incredibly useful and helpful'* and where interviewees had accessed it the information on the website was described as *'really great'* while the events *'were excellent both for the networking and technical content'*.

Suggestions for further improvement included:

- Letting councils use the development grant to pay for internal SIB development resource rather than having to procure external support. Alternatively providing development support directly through the Fund or commissioning consultants that councils can access directly. Some applicants had found the procurement process for support time-consuming and felt the time could have been better spent on developing the SIB
- Providing more proactive communication and clarity of over who is "leading" the Fund. Some interviewees were confused over the different roles played by members of the LCF delivery partnership and did not know who had ownership of it. Furthermore, guidance on the amount of top up available should have been made clearer. One applicant complained that the guidance notes said the top-up should be at 20% but they subsequently found out that as much as 49% could have been available. They had applied for 30% but in retrospect would have gone for 49%. The applicant felt that if this had been the case then senior management and elected members would have found it far more difficult to back out. His advice to LCF would be to establish fewer SIBs but with a higher level of top up.
- Two interviewees were frustrated over the inclusion of the final set up form for which they could not see a clear purpose – *'there was lots of repetition'*. Their feeling was

that the financial model should be well established at full application including clarity over the payment structure.

3.2.6 Summary

Pecuniary advantage was cited as the key reason for applying to the LCF. For commissioners the opportunity to implement an initiative that would deliver cashable savings was a clear motivation. Applicants were also attracted by the opportunity of building their expertise in contracting through alternative funding models and in particular PbR.

The complexity and resource intensive nature of putting together a SIB meant that the development grant was key in enabling applicants to progress with their applications through purchase of additional capacity and technical expertise. All of those receiving development grant funding were clear that without this they would have been unlikely to have pursued their applications. Some applicants however would have preferred to have been allowed to use the grant to free up internal capacity to develop their SIB.

Applicants faced a number of challenges in designing their SIBs. Agreeing outcomes and who would pay for these was a particular challenge where SIBs involved multiple commissioners from different organisations. For provider-led SIBs this could be even more difficult as commissioners demanded unequivocal evidence of attribution and the realisation of cashable savings. Unresolved questions around the detail of the SIB financial model could also present as sticking points. As well as those pertaining to the level of cashable savings and outcome payments some commissioners were reluctant to invest when longer term funding priorities were unclear. Effective stakeholder engagement was a further key challenge for both providers and commissioners. Ensuring buy-in from senior decision makers and sustaining that over the lengthy time-period required to set up a SIB could be difficult especially where there was ideological antipathy to SIBs or changes in previously committed leadership. Reasons for withdrawal were multiple but often included a combination of challenges that proved too difficult to overcome. In three cases however, internal service improvements had successfully begun to achieve the outcomes expected of the proposed SIB rendering the latter redundant.

Key lessons for provider applicants withdrawing at this stage centred around the imperative of a more nuanced understanding of the practical, ethical and cultural barriers local authority stakeholders might raise when considering whether to proceed with a SIB. The need to '*speak the language'* of local authorities in countering mistrust was highlighted. Providers also made the case for additional support in putting together a SIB with the observation that the LCF sometimes felt commissioner orientated.

Commissioners reported rich learning from their application experience which they were confident they would put to good use in future commissioning activity.

4 Applicants progressing to final set up: case studies

This section reports case study findings from three of the four Round 1 projects that had progressed to a successful launch by February 2019. The fourth project was not included as it had not yet gone live and applicants preferred to be included in the evaluation at a later stage.

Case studies are based on a series of qualitative interviews undertaken with commissioners, providers, investors and intermediaries.

4.1 Case study one: Cornwall Frequent Attenders Project

4.1.1 The SIB project

Theme: Drug and alcohol dependency.

Aim: To reduce frequent attendances at A&E by people with drug and alcohol problems in Cornwall.

Target group: People with drug and alcohol problems and additional complex needs (including mental ill health, physical health problems or homelessness). The estimated size of the target group is 1,294 people.

Referral pathway: Primarily through the Alcohol Liaison team at the Royal Cornwall Hospital but also through other health and social care professionals, A&E staff, the hospital's Psychiatric Liaison team, Police, Ambulance, and Probation services.

Innovation: The delivery model is based on sensitive patient data being sharing between the NHS and the third-sector provider, and real-time referrals to specialist support hosted within the hospital. It is innovative since this type of data sharing is uncommon and challenging to establish.

The provider is **Addaction**, a national drug and alcohol charity, the commissioner is **Cornwall County Council**, the social investor is **Big Issue Invest** and the intermediary is **Numbers for Good**.

4.1.2 The business case

This project built on a pilot intervention that Addaction introduced in 2017 to reduce frequent attendances at A&E by drug and alcohol users. The pilot targeted six months of intensive support at drug and alcohol users who attended A&E at Royal Cornwall Hospital. These people often have chaotic lives and struggle to engage with mainstream support services. This can mean they attend A&E very frequently for issues that could have been dealt with at an earlier stage. The cohort not only have a disproportionate impact on A&E but also impact on other services, including the police and probation services.

Although the pilot was not structured as a SIB, the provider, commissioner and investor all thought it was influential in demonstrating the business case for the project. It confirmed that the basic intervention model worked and that there was a substantial target cohort. It was also perceived as being effective by the hospital, which increased their buy-in to its subsequent development into a SIB project. The pilot was funded for two years through the former DCLG's Communities Fund, with no further funding in place to continue it in the longer term.

The total estimated maximum outcome payments for the project are **£2,230,000**[15]. The Life Chances Fund is contributing **35%** of the final total outcomes payments, and Cornwall Country Council is contributing **65%**. There are no expected cashable savings but non-cashable savings of **£14.3m**, through reduced A&E attendances and usage of police, fire and rescue services.

705 people are expected to use the services delivered through the SIB project, and 620 of these are expected to trigger one or more outcome payments. The payment outcome triggers are:

- Users continue to engage with service for 3 months: £1,200 per outcome achieved;
- A&E attendances of users are 60% lower than in baseline year, measured in 6, 9- and 12-month reviews: £3,000 per outcome achieved;
- A&E attendances of users are 60% lower than in baseline year, measured in 18-month reviews: £1,600 per outcome achieved.

The provider thought the project was well suited to the SIB model because of the early, preventative nature of the intervention and the longer term (but still measurable) target outcomes. The payment tariffs were set on the basis of the expected savings from reduced A&E attendance and usage of police, fire and rescue services by the target cohort. Data from the New Economy's Unit Cost database[16], local service provider data, and data generated through the pilot of the project all fed into this.

4.1.3 Experiences and perspectives of application to the LCF putting together the SIB

The lead on the project within Addaction had previous experience of PbR approaches but not specifically of SIBs, which were also new to the commissioner. Both were motivated to develop the SIB because of the upfront financial investment it could provide to establish the pilot project on a longer-term basis. The LCF top-up funding was a significant added incentive within this, with the provider suggesting that the idea of developing a SIB would have "fallen into the too hard to do pile" and not been pursued without it.

In addition, the provider and commissioner said they were motivated by a desire to learn more about what SIBs - and social investment more broadly - could offer.

Timeline for development of project:

- EOI application submitted: September 2016
- EOI passed and development grant awarded: January 2017
- Full application submitted: March 2017
- In-principle award of funding: October 2017
- Final award set-up application submitted: February 2018
- Final award approved: June 2018

The initial **EOI** and **development grant** process was described by the provider as relatively light-touch and straightforward to complete. They passed the EOI stage and were awarded a development grant of £30,000, which they used to commission Numbers for Good as an intermediary. This was cited an important success factor for the development of the project. The intermediary developed the financial model for the SIB,

[15] Rounded to the nearest 10,000.

[16] http://www.neweconomymanchester.com/our-work/research-evaluation-cost-benefit-analysis/cost-benefit-analysis/unit-cost-database

created a stakeholder engagement process, and accompanied Addaction in meetings with commissioners, stakeholders and investors.

At the time of the EOI, Addaction were in discussions with two potential commissioners. One subsequently dropped out after it was decided that it would be too complex to develop the financial model on this basis. Each commissioner would have required, for example, separate sets of outcome measures and tariffs. Between the EOI stage and the full application stage, Addaction and the intermediary also had initial discussions with several potential investors. All were said to have expressed an interest in investing in the project, which gave Addaction additional encouragement and confidence in developing the SIB.

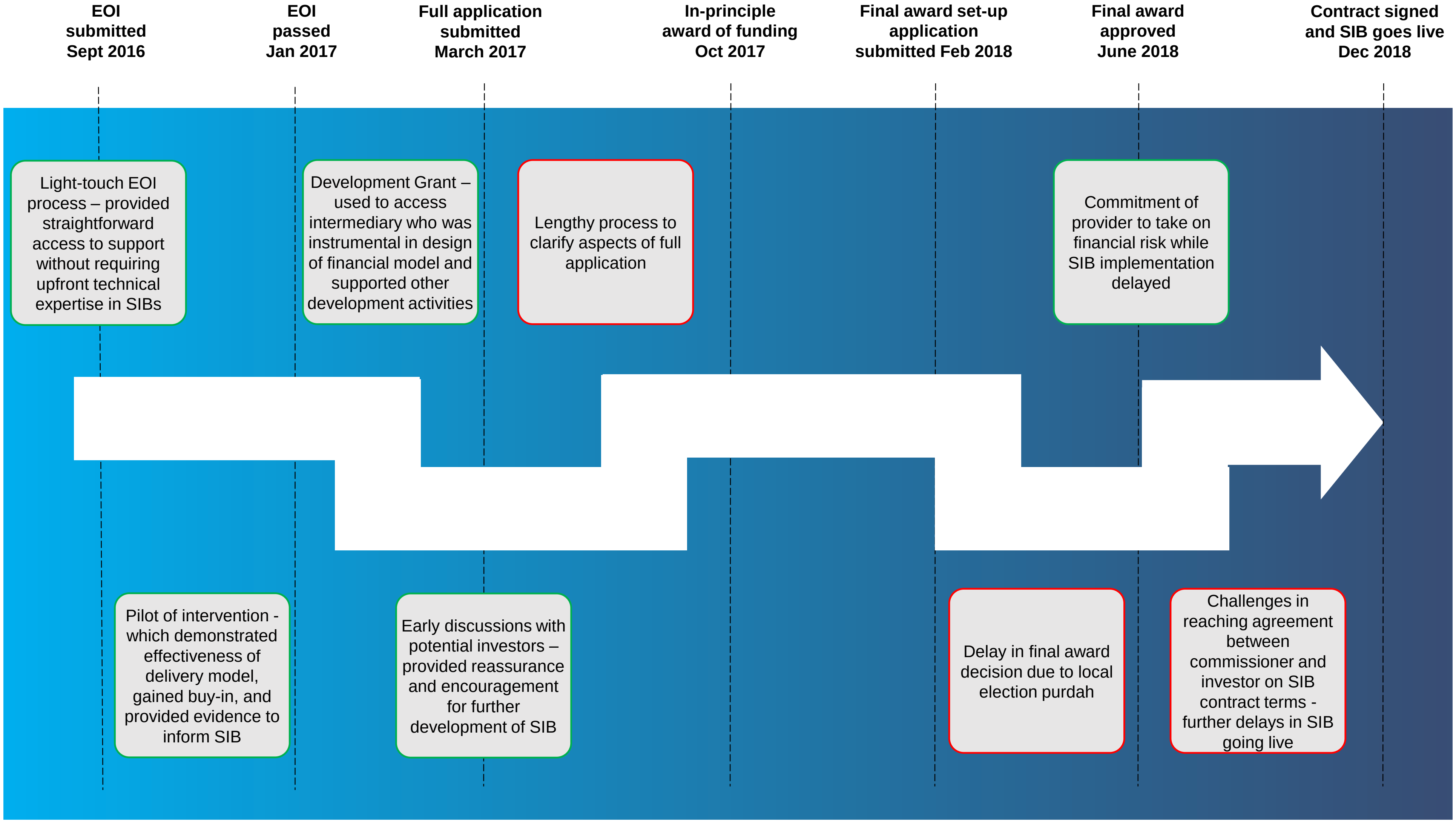
The completion of the **full application** form was described as a collaborative effort between Addaction and the commissioner. Having already started to pilot the intervention, and through the work to develop the financial model by the intermediary, they encountered few difficulties in providing the information required in the application form. However, following the submission of the application in March 2017 there were a series of exchanges with Big Lottery to clarify aspects of their project before they received in-principle approval in October 2017.

In advance of the **final set-up** application process, Addaction invited four investors to formally pitch for investing in the project, and selected Big Issue Invest. Big Issue Invest said they were attracted to invest in the project because Addaction were a well-established and resourced provider, who had a strong existing relationship with the commissioner, and had already demonstrated their ability to deliver the intervention effectively on a pilot basis. They also saw potential for the intervention to be replicated in other localities.

Addaction submitted the final set-up application form in February 2018 but were informed a decision on this could not be announced until after local election purdah in April-May 2018. Up to this point Addaction had based their plans on the SIB going live on 1st April 2018, and this delay contributed to some challenges. Funding for the pilot of the project had now run out but Addaction was reluctant to halt its delivery, having already recruited staff and built up a positive relationship with the hospital involved. They decided to meet the costs of continuing the project themselves in the short-term.

There were mixed views on the support available through the programme during the development process. It was suggested that GO Lab support was more orientated towards commissioner-led projects than provider-led projects, and that the value and continuity of support provided by Big Lottery (now TNL Community Fund) had sometimes been constrained by changes in personnel. However, this was offset by the significant benefits that the provider and commissioner thought the development grant and the subsequent work of the intermediary brought to the process.

Figure 4.1 Overview of milestones, facilitators and challenges in the development of the Cornwall Frequent Attenders SIB project



4.1.4 Procurement

The commissioner had an existing contract with Addaction for the provision of drug and alcohol services, and it was agreed to incorporate the SIB project into this contract rather than tender and commission it separately.

The main challenge that emerged in the procurement process was agreeing contractual terms that both the commissioner and the investor were comfortable with. The investor expressed some concerns that clauses in the existing contract (concerning early termination) were incompatible with a SIB and would risk them not being able to make returns on their investment. Their preference was to base the contractual terms on a SIB contract template published by the Cabinet Office, but this was not immediately acceptable to the commissioner’s legal department.

Discussions to try to reach agreement on the contract were ongoing for several months, and during this period all parties perceived that there was a risk the SIB project would not go ahead. Addaction continued to meet the costs necessary to keep the pilot project going but at some financial risk to themselves. They also felt constrained in the extent to which they could advise the commissioner on contractual issues because of potential conflicts of interest. Eventually amendments were made to the contract by the commissioner, these were accepted by the investor, and the contract was signed in early December 2018.

4.1.5 Early implementation

At the time of the research for this case study (in December 2018) the project had only just gone live as a fully working SIB. However, it had already been running on a pilot - non-SIB - basis for over two years. This long lead-in time meant the staff delivering the intervention were already in-post and effective joint-working arrangements had been established with hospital staff and other stakeholders. The transition to a SIB funding model had not therefore had a direct bearing on the frontline delivery of the project.

All parties expressed a high degree of confidence in the project achieving its target outcomes, again based partly on the success of the pilot. If anything, they were finding a larger target cohort than initially anticipated, and thought it was possible the year one targets would be exceeded.

The project has already attracted wider interest from the Department for Health and Social Care. Addaction have commissioned Manchester University to conduct the project’s evaluation. They hope this will provide additional impetus and evidence for the replication of the project in other areas.

4.1.6 Management and governance of the SIB

The project’s management and governance arrangements were not yet fully operational at the time of the research for this case study. The project will be overseen by a stakeholder group, meeting monthly, and attended by the commissioner, provider, investor, hospital, local CCG, and other core stakeholders.

The provider will produce monthly monitoring reports for review by the stakeholder group. The reports will include data on outcomes achieved against the SIB payment trigger targets and other metrics. More detailed quarterly reports will also be produced which provide a narrative and lessons learnt on project delivery.

These arrangements were not perceived to be radically different to business as usual, although all parties were keen to see how it worked in practice. The commissioner was ultimately "in charge" but the investor was also recognised to have some potential say in decisions affecting the design and delivery of the project. The commissioner and investor said they were confident in the ability of the provider to respond to any challenges that emerged and expected to work closely with them to agree any required modifications to the project as it progressed.

4.1.7 Impact and learning

The provider was positive about the possibility of developing further SIBs. From their pragmatic perspective '*SIBs are a vehicle for doing what you want to do*' and, having accumulated substantial learning through the development of this SIB, they were actively pursuing other SIB opportunities. The commissioner said they were interested in exploring more opportunities to access social investment but did not necessarily envisage doing this through a SIB.

One area of learning from this project was around the pros and cons of provider-led SIBs. Based on this project, the perceived advantages of provider-led SIBs were that providers have the most in-depth understanding of a target cohort, what approaches are effective with the cohort, and how outcomes can be robustly measured. Perceived disadvantages were that providers may not be able to directly control some key elements of the SIB, e.g. in this case the terms of the contract. Providers may also not automatically have the same mandate as a local authority commissioner to bring together other local statutory providers to support a SIB.

Another related area of learning concerned the issues that were encountered in agreeing contractual terms both the commissioner and investor were comfortable with. In retrospect, all parties thought that earlier and greater dialogue between the commissioner and investor would have been beneficial, and potentially mitigated some of the resultant delays.

The provider and commissioner did not think the SIB would have been developed without the LCF. The top-up funding had provided crucial motivation at the start and the subsequent development grant had been instrumental in enabling them to turn a conventional grant-funded pilot into a SIB, whilst also helping the provider and commissioner negotiate a steep learning curve about SIBs.

Suggestions for how the LCF could further be enhanced included:

- More transparent and consistent timelines – to reduce uncertainty and risk and enable projects to plan development activities effectively.
- Streamlined application processes – those involved in this project said they would have been happy to provide more detailed information in the LCF application forms if it meant lengthy post-submission exchanges to clarify aspects of the project could be minimised.
- Support tailored towards provider-led projects – to reflect the different dynamics and potential challenges of a provider-led project
- More support around SIB procurement and contracts – it was thought that more advice and the participation of an external "honest broker" in negotiations about the SIB contract for this project would have potentially been useful.
- Consistency and continuity of support provision – the perceived ideal would be to have a single, knowledgeable, mentor and source of support for the duration of the SIB development process.

4.2 Case study two: IPS employment support for people with drug and alcohol addictions

4.2.1 The project

Theme: Drug and alcohol dependency.

Aim: To support people with drug and alcohol addictions who are out of work to gain and retain competitive, paid employment using the Individual Placement and Support (IPS) intervention model.

Target group: People in treatment or in recovery from problematic drug and alcohol use and who are out of work. In addition, IPS is a 'zero-exclusion' intervention, meaning that no service users wanting to receive the intervention will be denied on the basis of eligibility criteria. The estimated size of the target group is **2,410** people. The project works across eight west London local authority areas (Barnet, Brent, Ealing, Harrow, Hillingdon, Hounslow, Kensington & Chelsea and Westminster).

Referral pathway: Referrals are made through the eight participating local authority drug and alcohol services. Specialists delivering the IPS service are integrated into drug and alcohol teams.

Innovation: IPS is an evidenced based intervention that delivers good employment outcomes for service beneficiaries. However the evidence base is stronger for people with mental health problems than for people with problematic drug and/or alcohol use. While IPS is being trailed nationally this is the first time it has been rolled out across a wide area on a non-trial/RCT basis. The project thus represents the first IPS intervention of this scale targeted at people with problematic drug and alcohol use. The project involves multiple commissioners from both health and local authorities demonstrating how commissioners can work together on sub-regional level and across sectors. The project links employment to health outcomes and is supported by the North West London Sustainabilty and Transformation partnership (STP).

The provider is **WDP**, a drug and alcohol charity providing services in London, the South East and East of England. The commissioner is **West London Alliance** acting as a single commissioner on behalf of 8 London boroughs, 8 CCGs, and local JCP Districts. The intermediary is **Social Finance** and the social investor is **Big Issue Invest**.

4.2.2 The business case

The intervention is based on the premise that supporting people with problematic drug and alcohol use into employment will aid them towards recovery, improve well-being and help social integration. Achieving positive outcomes for clients is expected to have wider societal impacts including delivering savings to the state through reduced benefits payments, increased tax revenue and reduced spending on health and criminal justice.

The IPS project was designed in the context of what was described as *'a disjointed and patchy array of services'* for people with drug and alcohol issues across the London boroughs that fall within the West London Alliance group. Prior to the inception of the project there was no integrated IPS provision within drug and alcohol services making this a new service offer. Before applying to the LCF the WLA had been in discussion with local CCGs about the possibility of coming together to design and deliver a co-ordinated intervention to support the target group into employment. These discussions were being had at the same time as the launch of the NHS Sustainability and Transformation Partnership programme, and there had been the aspiration to secure funding through this initiative. When it became clear that this would not be a possibility the WLA began considering alternatives and made the decision to apply to the LCF with the top-up element representing a key incentive. While the intervention would not have been designed as a SIB without the LCF it may have featured an element of PbR.

The application built on development work undertaken prior to the decision to apply for LCF funding.

The total estimated maximum outcome payments for the project are **£2,380,000**[17]. The Life Chances Fund is contributing **45%** of the final total outcomes payments, and West London Alliance is contributing **55%**. Cashable savings to local commissioners are estimated at **£1,763,000**.

2,410 people are expected to engage with the service from a potential client base of approximately 12,000. The project anticipates achieving a least one outcome payment for 1,928 individuals. Payment triggers for **employment outcomes** are as follows:

- Entry into employment: one day in work: payment £1,500 per individual with eligibility restricted to out of work individuals who have had treatment from the drug and alcohol service for at least one month;
- In paid work after 13 weeks after starting work up to a year on IPS programme, working <16 hours per week: payment £2,500 per individual
- In paid work after 13 weeks after starting work up to a year on IPS programme working ≥16 hours per week; payment £5,000 per individual
- Completion of vocational profile on engagement with the IPS service: payment £90.00

Employment outcome payments were determined on the basis of consideration of the following sources of evidence: 1) comparable tariffs for employment outcomes in Work Programme and other employment programmes; 2) savings per outcome, and 3) payments needed to repay the investment for up-front costs of delivering the service. For example, for the Work Programme, supporting someone on IB into sustained work (13 weeks or more) triggers a payment of > £13,000.

Payment triggers for **health outcomes** are as follows:

- Significant change from PROM (patient reported outcome measure) baseline: payment £500.00.
- Significant change in NHS HRG (health resource group) codes: annual payment £49,000.

Health outcome payments were determined in reference to evidence that NHS usage reduces when people enter employment. Individuals will be baselined on entering the service and surveyed at different points in their journey through the service.

Estimated referral rates were based on the experience of other SIB funded IPS initiatives.

4.2.3 Experiences and perspectives of application to the LCF and putting together the SIB

The application was led by Ealing London Borough Council acting as a single commissioning vehicle on behalf of WLA, the 8 CCGs, and local JCP with a total of eighteen stakeholders making some funding commitment to the project. The commissioning lead for the LCF application has extensive experience of PbR contracts

[17] Rounded to the nearest 10,000.

but was unfamiliar with SIBs; an approach that was also new to the wider stakeholder group. The LCF top-up was the key incentive for making the LCF application and a SIB would not have been considered in the absence of this, although some degree of PbR might have been.

As no one involved in the IPS project had experience of SIBs '*people were nervous at first…mainly because of unfamiliarity and perception that it would be very complex'.* This made securing initial agreement difficult while maintaining buy-in presented an ongoing challenge throughout the LCF application and project development processes.

Completing the EOI was described as unproblematic as a lot of the early development work had been done prior to application. This had included scoping out potential outcome measures, identifying referral processes, and making estimates of possible financial savings so that the necessary information required at EOI was in place.

At full application WLA applied for a **development grant** and used this to commission Social Finance to develop the technical aspects of their SIB, and particularly around the complexities of financial modelling and developing the project payment structure. The commissioner valued the financial acumen demonstrated by Social Finance describing them as *'responsive'* and *'very good at number crunching'.*

The main development work on the outcome measures was done at the full application and final set up stages. The approach taken was to use measures that had already been tried and tested in other relevant contexts so that the chosen employment outcomes were modelled on existing DWP measures. Attributing the achievement of outcomes to the intervention was described as unproblematic as one of the underpinning principles of IPS is that participation is voluntary and deadweight for the target group very low. As detailed below the health outcomes were more challenging and required fairly extensive research and negotiation before appropriate measures could be agreed.

Completion of the full application form was experienced as relatively straightforward with the observation that they had only been required to submit a small percentage of the modelling, data and analysis they had undertaken in developing their model.

4.2.3.1 Key challenges

Three key challenges in developing the SIB were described:

- Stakeholder engagement and maintaining buy-in across an extended time period;
- Identifying and agreeing meaningful health outcomes; and
- Establishing the detail for the payment mechanism across multiple investors and for a complex set of outcomes.

Effective **stakeholder engagement** was identified as critical to the success of the SIB development. Proactive engagement was extensive and involved a series of briefings and workshops for different tiers of management across the various organisations involved in the project. Engagement work with people with lived experience was also undertaken.

The protracted time-scale for the development of the SIB (2.5 years from EOI to final agreement) meant that maintaining buy-in and consensus across different stakeholder groups required significant effort. Staff changes and in particular changes in leadership and evolving strategic priorities meant that *'a lot time had to be spent re-explaining and re-building consensus'.* During this time one CCG Chief Executive left and was replaced, and one borough withdrew from the project as key people had moved on and strategic intentions changed.

Stakeholder engagement across the nine local authorities was described as relatively straightforward in comparison to securing buy-in from the CCGs. A history of collaborative working across the WLA meant that *'people weren't too difficult to convince'.* Making the financial case to local authorities was also easier because:

'We are looking at people who are heavy users of local authority services…you only have to get one child out of care and back with parents as they've stopped taking drugs and got a job and you'd have paid their contribution…they can see the possibility with heart and head'.

Demonstrating a financial advantage for the CCGs was more problematic; *'Selling the idea that getting people back into work will benefit the NHS and provide savings for them has been challenging'.* Providing a robust locally relevant evidence base was initially difficult and this was followed by a protracted period of negotiation before a Memorandum of Understanding could be signed off by the different partners.

Identifying a set of **health-based outcomes** and reaching agreement of how these would trigger payments was particularly challenging. This was described as a '*complex and lengthy process*' that required *'a lot of detailed discussion'.* Investor calculations suggested that proposed health outcomes represented a high risk to any return on investment as it was felt unlikely that measurable health outcomes would be achieved. After a period of detailed research which went beyond the full application stage, two measures were agreed: significant change in a PROMs measure developed by Kings Fund and a reduction in use of NHS Services, measured through secondary drug and alcohol related HRG codes within the service area.

A third challenge identified by interviewees pertained to the **complexity of the financial model** which meant payments would be triggered for different outcomes at different time points to different commissioners and investors.[18] The payment model gave rise to a set of potential scenarios whereby the achievement of certain combinations of outcomes could mean that local commissioners would be responsible for the majority of payments in the first year (the shorter term outcomes) with the LCF being responsible for the majority of payments in the third year (e.g. the longer term health outcomes). However, given that LCF had stipulated that they had to be a minority payer in each quarter of the contract and that their payments would be capped, the latter scenario would not be permitted giving rise to a potential payment shortfall, which might mean that some investors would not see a return on their investment. To resolve this issue the intermediary was able to work out a complex formula determining the timing of payments while building in flexibility to ameliorate the financial risk to different investors. The complexity of the funding arrangements was identified as a potential risk to scaling SIBs with advice to LCF to *'make the funding a bit simpler'* where multiple commissioners are involved in a SIB.

4.2.3.2 Key enablers

Interviewees identified three key factors that supported the development of the IPS SIB:

- The ability of WLA as a partnership to bring a number of commissioners together to establish the SIB on a scale that made it a viable funding commitment;

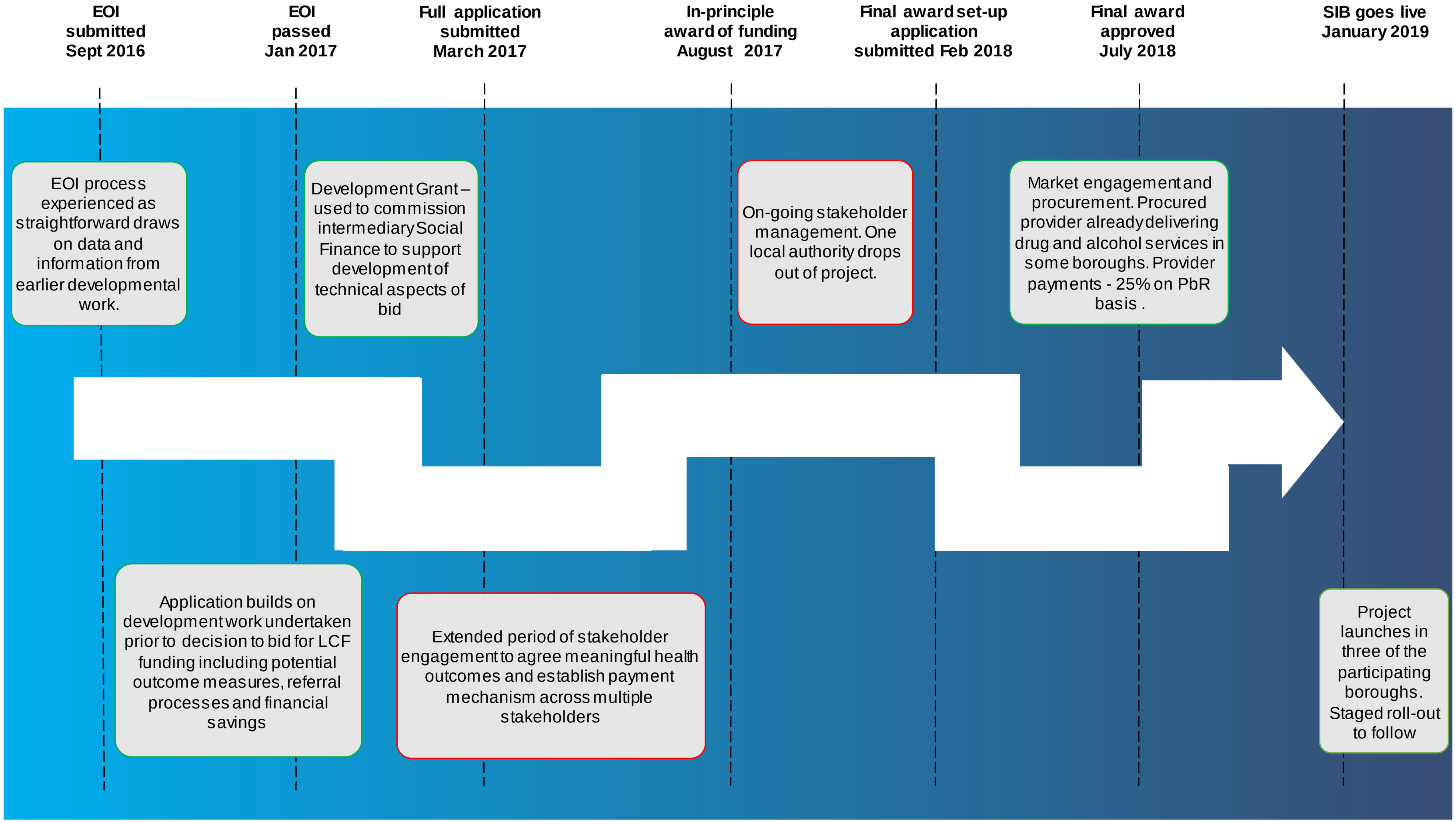
[18] This complexity pertained to the different levels of payment for which LCF and local commissioners were responsible for and payment caps set by LCF.

- Application to the LCF led by a commissioner who was very strong on stakeholder engagement, with excellent commissioning skills and a wide experience of employment;
- Support from an intermediary with understanding and experience of both LCF and SIBs and with excellent financial acumen; and
- LCF's drug and alcohol theme dovetailing with local commissioners' interest in developing a drug and alcohol and employment programme.

4.2.3.3 Timeline for project development

- EOI application submitted: September 2016
- EOI passed and development grant awarded: Spring 2017
- Full application submitted: March 2017
- In-principle award of funding: October 2017
- Final award set-up application submitted: February 2018
- Final award approved: June 2018
- SIB goes live January 2019

Figure 4.2 Overview of milestones, facilitators and challenges in the development of the WLA SIB project



4.2.4 Procurement

The provider was contracted through a 'standard' public procurement exercise involving a market engagement event and supported by Big Issue Invest who had been previously contracted as investor via a mini procurement exercise.

Engaging the investor in provider procurement was an approach strongly favoured by the intermediary particularly when '*you have investors in the market who have some real content knowledge to bring to the table'*. The perceived advantage of this approach was the ability of the commissioner and investor to simplify the contracting process for the provider:

'The advantage is that the investor and commissioner can work together to provide the best funding flow for the provider, we take and deal with all the complexities and offer a much simpler contract to the provider'.

The invitation to tender (ITT) specified the outcomes that the provider would be working to and ask bidders to propose how much of the financial risk they would be willing to carry. Five potential providers responded to the ITT representing a range of private and not for profit organisations. The successful provider, WDP, was chosen for a number of reasons including:

- The fact that were already providing drug and alcohol services in three of the participating boroughs. This meant that they were well placed to ensure full integration of IPS with both drug and alcohol services and mental health; a key principle of the evidence-based model;
- WDP were reportedly *'passionate to do it'* so that for them it was '*not just about the money, they want to improve their employment support interventions and actively want to deliver IPS;*
- Given their motivation to deliver the project WDP were prepared to take on a considerable percentage of the risk (30-40%). In the final contract it was agreed that WDP would carry 25% of the risk, on a PbR basis.
- There was a perception of cultural similarity between the contracting and providing organisations: *'Culturally as an organisation their culture and our culture felt aligned'.*

With a DWP background the WDP business manager was *'unfazed'* by the concept of a SIB describing the funding set up as *'interesting'* and being accustomed to contracting with a degree of risk. Potential bidders had been asked how much risk they were willing to take on with the expectation that they would be scored higher the greater the risk they were willing to carry. In response the bid team at WDP engaged in a planning exercise involving exploration of the level of service they could provide in a worst-case scenario (only receiving the money for the element without PbR attached to it) and modelling against conservative and optimistic estimates of performance. WDP were aware throughout this process that some of their competitors were used to working at 100% risk and felt that risk should be predefined by the contractor to avoid providers offering to carry too high a percentage of risk:

'I wouldn't recommend scoring people this way as people will offer a high risk because they want to win the contract…risk should be predefined'.

WDP have a history of successfully moving the client group into paid employment and were confident that they offered a robust service model with the advantage of being the provider in three of the boroughs. This meant they could set up a direct referral process very quickly, providing them with an edge over new competitors who would need to '*put* *together a complex supply chain'* while *'we offered a simplistic alternative focused on delivering the results'.*

The provider identified one minor concern in the procurement process: that the *'LCF money hadn't been fully finalised while we were doing the bid'* while this was *'very likely to come through'* it was still *'a bit of a niggle at the back of our minds'*.

4.2.5 Early implementation

Fieldwork for this case study was undertaken at a very early stage in the live implementation of the project. [19] At this point the project had just launched in the three boroughs in which WDP were already delivering a service (Barnet, Brent and Harrow) with plans for a phased roll out: April seeing the launch of the service in Ealing; Kensington and Chelsea and Westminster in May; and Hillingdon and Hounslow in June. Staff had been already been appointed with additional recruitment in train to establish a team of ten including a team manager, a senior employment specialist, seven employment specialists and an administrator. Existing staff had been through an induction and training process and while referrals had just gone live were largely focused on building networks with relevant referral partners and establishing internal relationships to ensure a fully integrated service.

All stakeholders were confident that the service would achieve good employment outcomes once referrals started to come in. The key challenge going forward was to ensure a good rate of referral into the service across all eight boroughs with the expectation that this would be easier in those areas where WDP already have a presence. All parties were clear that the WDP IPS team would need to work hard to foster good relationships across sectors including with clinical staff to promote a sense of shared culture and trust. Competition from other providers was also recognised as a challenge to achieving good referral rates.

Achieving and evidencing achievement of the health outcomes was identified as a potential risk. On the provider side these were perceived as *'a bit woolly'* with the recognition that multiple variables impact on health outcomes and that attributing change to a *'small initiative like this'* would be difficult. Delivering the health outcomes 'at the right time' was also flagged as a potential risk by the intermediary.

4.2.6 Management and governance of the SIB

Given the early stage of implementation the management and governance arrangements were yet to have been fully operationalised at the time of fieldwork. Agreement had, however been reached that while WLA would have ultimate responsibility for the contract Social Finance would continue to act as intermediary and play a role in performance management and monitoring. Progress meetings will be held on a monthly basis while there will be a more in-depth quarterly scrutiny of project data.

4.2.7 Impact and learning

The IPS SIB was generally perceived as a 'really exciting' initiative that represents a new service offer integrating health and employment outcomes. WLA was credited with having managed a very challenging development process and engaged multiple commissioners who all '*wanted different things'*. There was a consensus that the project would not have happened without the LCF as the NHS had withdrawn interest in

[19] The service went live January 14th, 2019 with fieldwork undertaken in February.

providing funding and the local authorities had no available resources to offer. As such the LCF top-up funding provided a critical incentive. In addition, the development grant was described as fundamental to the ability of the commissioning partnership to develop the SIB financial model.

A key learning point for the commissioner was that *'SIBs are not half as complex as they are portrayed'* and that this common misconception is off-putting for many commissioners. The commissioner reported that now WLA has been through the process of developing one SIB they would be willing to look at future opportunities. Learning to take forward from this first experience included the importance of keeping things simple and establishing a shared vision among partners from the outset. Both these were important as otherwise:

'Complexity will just creep in as everyone wants something different and you will have to compromise. Anything you can do to simplify is a big win'.

Building in flexibility and avoiding over-concern with the precise detail around the return on investment were also identified as important preconditions for supporting innovation. Being upfront and honest with commissioning partners about the challenges and level of engagement required was a further learning point.

Both provider and commissioners were able to identify positive advantages from working through the LCF SIB. For commissioners these were:

- While developing a SIB with multiple commissioners was 'hard work' the advantage was that partners would be referring clients into the project and collecting outcome data. One of the critical success factors was to have all relevant stakeholders engaged and talking together about these issues thereby helping to maximise the effectiveness of the intervention.
- While the SIB was felt to add costs, the model enabled buy in from the CCGs which would otherwise have been lacking; the understanding that they would only pay for the outcomes they specified was the key motivator.

Provider identified benefits included:

- The opportunity to build understanding and experience of SIBs that can be applied to future opportunities; and
- The project has enabled WDP to move into the delivery of employability services and diversify as an organisation.

Overall the application process and the support provided through the LCF delivery partnership was positively received. However, there were some factors which interviewees felt if changed would improve the process of developing SIBs through any future programmes:

- Timelines for the application process should be shortened. Shorter timescales would have greatly facilitated the process of maintaining stakeholder consensus and buy-in.
- LCF should stick more consistently to their declared timelines and deadlines to support more effective planning at the applicant level.
- Commissioners felt there was ambiguity over the wording of questions in both the full and final set up forms. Greater clarity would avoid delay and avoid post-submission amendments.
- Some of the advice given around how to proceed with the local evaluation was experienced as overly academic and too theoretical. More practical help with drawing up a spec for the local evaluation would have been more helpful.

4.3 Suffolk Early Intervention Care Prevention

4.3.1 The SIB project

Theme: Better outcomes for adolescents on the edge of or trajectory into care

Aim: To reduce the number of adolescents being looked after by Suffolk County Council (Suffolk CC).

Target group: Adolescents (11-17 year olds) falling into two groups: 1) those on the edge of care and earlier to prevent crisis/entry into care 2) those leaving care to prevent repeated crisis and entry into care. The project is expected to work with a cohort of 25-30 young people with a total cohort over three years of 320 young people.

Referral pathway: Through social workers based in Suffolk County Council's Children and Young People's Services (CYPS), who will work with others in the young person's network (e.g. family, school, health or offending teams) to identify their therapeutic needs.

Innovation: The initial commissioner concept of intensive multi-disciplinary therapeutic support, and the subsequent Functional Family Therapy (FFT) intervention approach further developed by the provider and investor partnership, does not have a history of delivery in Suffolk (though it has been found effective in other UK areas).

The provider is **Family Psychology Mutual**, a social enterprise based in East Anglia, the commissioner is **Suffolk County Council**, and the social investor is **Bridges Fund Management**. ATQ were commissioned as external consultants to support the application process in particular the development of the business case.

4.3.2 The business case

At the time of application to the LCF, Suffolk County Council was spending £36 million and 50% of the Council's Children and Young People's Services budget on corporate parenting and children in care. This represented a significant financial pressure for the local authority and looked set to increase as the numbers of children in care rise. There had been a small but significant increase in older adolescents coming into and staying in care in Suffolk in particular, due to issues of family stress relating to deprivation, exploitation, mental health, gang membership and substance abuse.

Evidence from the Suffolk CC Family Solutions Service highlighted that structured intensive support, with restricted caseloads for social workers and the provision of wraparound support can result in a child or young person avoiding care in many cases. However, it was identified that more multi-disciplinary and creative approaches were needed to further reduce numbers, reduce the complexity of the needs of adolescents in care and increase family resilience.

Suffolk commissioners visited an outcomes-based project commissioned using a SIB in Essex, which supports children on the edge of care with a multi-systemic therapeutic (MST) intervention. Its evaluation report highlighted the evidence base for the effectiveness of this kind of approach. Projects funded by the Department for Education (DfE)'s Child Social Care Innovation programme also provided learning on the effectiveness of therapeutic interventions (as opposed to the casework social work model). These kinds of approach fit within the Signs of Safety practice framework for child and family intervention work that has been adopted in Suffolk since 2015. The business case was therefore developed to introduce this kind of approach in Suffolk with a flexibility in specific therapeutic model (e.g. MST, FFT) to enable potential delivery partners to identify the best fit for Suffolk's local context.

The total estimated maximum outcome payments for the project are **£3.7 million**[20]. The Life Chances Fund is contributing **11%** of the final total outcomes payments and Suffolk County Council is contributing **89%**. The expected cashable savings are **£944,000** for the County Council and they calculated indicative financial benefits through cost avoidance of more than **£6.85 million** for local and national services affected including NEET/EET, DWP, health, housing and criminal justice. This includes an estimated **£2.8million** for central government.[21]

288 older adolescents are expected to use the services delivered through the SIB project, and 262 of these are expected to trigger one or more outcome payments. The outcomes are:

- Young people with significant risk of entering care continue to live at home (primary outcome). £8,000 per outcome achieved.
- If a period of care is deemed appropriate, timely reunification with family or family network is achieved (secondary outcome) £8,000 per outcome achieved.

Payment amounts were determined using modelling to establish the costs avoided and risk of young people entering care (ranging from complex cases on the immediate edge to those potentially on the path to care within the next year). To arrive at these outcome payment figures the modelling considered the higher average avoided cost of edge of care cases with their lower likelihood of success, against the lower average avoided cost of less complex cases and their higher likelihood of success. The commissioner, provider and investor all felt that the simple binary outcome measurement of being in or out of care made this particularly suitable for SIB investment, in addition to the clearly defined cohort and current evidence base for the approach. Keeping a child out of care was described as a proxy for the achievement of further positive child outcomes as there is clear evidence that being in care is a major risk factor for a series of negative outcomes. By keeping outcomes simple the project stakeholders described how this avoided the risk of claiming outcomes that might have been achieved without the intervention or would be difficult to attribute to the intervention. The out-of-care outcome was also felt to offer the benefit of transparency as it would be impossible to make 'false claims' against it.

4.3.3 Experiences and perspectives on applying to the LCF and setting up the SIB

While the commissioner had some experience of working with SIBs this was a new process for Suffolk CC. Following initial internal support built at officer level for the application, further support was secured from one cabinet member and subsequently the cabinet body and full council. This was despite some initial concerns expressed by opposition counsellors about the involvement of private investors in the delivery of services to vulnerable young people. The project's clear alignment with Suffolk CC's strategic direction supporting children and young people on the edge of care and cabinet support were identified as significant facilitators in the application process.

[20] Rounded to the nearest 10,000.

[21] Cashable benefits calculated from Greater Manchester New Economy Unit Costs database values – www.neweconomymanchester.com/our-work/research-evaluation-cost-benefit-analysis/cost-benefit-analysis/unit-cost-database

- Timeline for development of project (further described in Figure 1.2):
- EOI application submitted: September 2016
- EOI passed and development grant awarded: January 2017
- Full application submitted: March 2017
- In-principle award of funding: October 2017
- Final award set-up application submitted: February 2018
- Final award approved: June 2018

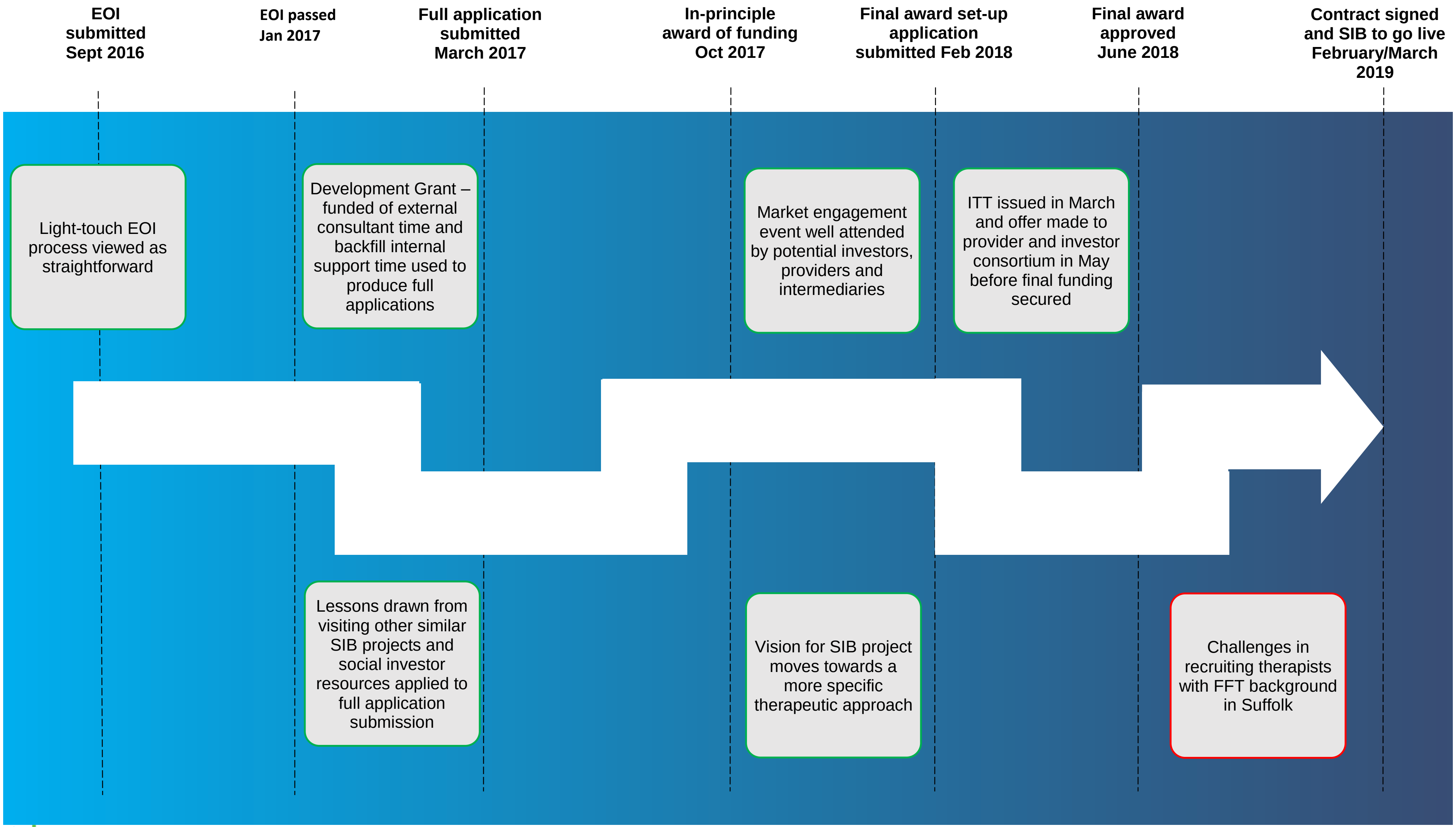
The initial **EOI** and **development grant** process was fairly straightforward for the commissioner. They received over £22,000 as a development grant which was used to secure 8-9 days of external consultant support from ATQ and to backfill the salary of the internal support drawn on to develop the business case. The consultant was selected by the commissioner, from a list provided by the LCF team, on the basis of geography and expertise on SIBs. Consultant time was used to support the development of the business case, particularly in terms of developing the SIB financial model, which together with the internal capacity released was described as useful.

Contacts with investors were brokered by the commissioner. The completion of the **full application** form involved significant contact between the commissioner and the investor; they were a potential rather than confirmed partner at this stage and an organisation with acknowledged expertise in funding this kind of intervention via SIBs. The advice and learning proactively sought from a peer local authority that had previous experience of putting together a similar SIB also informed Suffolk CC's full application and this was identified as key. The publicly available material on SIBs produced by Bridges Fund Management was also described as very useful.

Overall the commissioner felt the application process was satisfactory, but they suggested that this part of the process could be simplified and improved (further learning is described in Section 1.6). The investor thought that the different rounds of funding and different policy focus areas were good aspects of the LCF funding process.

In terms of the support provided by the programme during the whole application process, the commissioner appreciated the 2016 event run by GO Lab on outcomes-based commissioning in children's services describing it as useful.

Figure 4.3 Overview of milestones, facilitators and challenges in the development of the Suffolk SIB project



4.3.4 Procurement

In advance of issuing the tender Suffolk CC ran a market engagement event for providers, investors and intermediaries in November 2017. There was local political desire for the process to enable local voluntary and community social enterprises to tender and potentially deliver the service; the event was well attended by smaller organisations (as well as larger provider and investor organisations) and enabled them to meet potential partners. The commissioner described attempts during the event to provide ‘matchmaking’ opportunities for these organisations. Bridges Fund Management ran a workshop at the event (they made a proactive offer to do so) which provided all in attendance with SIB knowledge. The commissioner felt they would not have been able to go out to tender without this event and feedback from attendees provided them with confidence that there was a genuine level of interest in the opportunity.

Discussions at the market engagement event informed and further influenced the invitation to tender document, which was issued in March 2018. The tender was issued in a way to enable separate investors and providers to submit bids but there was a preference expressed in the document for consortium bids – of which three were received, including one involving a smaller local VCSE (the engagement event was seen as particularly useful for facilitating these relationships). The winning East Anglia-based social enterprise provider and their investor partnership had previous experience of working together to deliver family therapy approaches funded by SIBs (e.g. in London) that they were able to draw on. They were awarded the contract in May 2018. Their partnership have also been successful in winning a similar LCF-funded project in Norfolk.

While it was not run as a formal competitive dialogue, there was two-way engagement between the commissioner and potential applicants. The tender document was specifically designed to be flexible and to enable potential delivery partners to further shape the intervention model, and related details. The winning applicants chose to respond to the ITT in partnership rather than as individual organisations on their own, based on their existing relationship and assessment that their combined geographical and skill background (i.e. a provider with experience of FFT based near Suffolk; an investor who had previously invested in outcome-focused projects like this) were appropriate for this opportunity. Their winning bid provided higher than anticipated costs. This is because it proposed a high fidelity FFT therapeutic approach led by clinical psychologists and family therapists rather than family support workers.

The provider and investor spoke positively about the commissioner’s approach to procurement, in particular their willingness to consider different options and move from their initial broader vision for the project to the specific FFT therapeutic model that will be delivered.

Contract discussions were described as straightforward by all parties and at the time of research a final contract was ‘*centimetres away from completion*’. The commissioner identified the template LCF contract as a useful starting point for this. The primary contract is between Suffolk CC and the investor who have engaged the provider as delivery partner. This was viewed as a good model because it enables the provider to focus on delivering services rather than financial issues.

4.3.5 Early implementation

At the time of the research for this case study (in January 2019) there had been a soft launch of the project - a full marketing and engagement approach with Suffolk social work teams was already underway and an internal launch meeting had taken place. However, it was still due to go live as a fully working SIB (in terms of taking referrals) in February 2019.

This delay from the original timetable was primarily linked to the innovation of introducing the FFT approach (and other family therapy approaches) to Suffolk. This provided some obstacles to recruitment, particularly identifying psychologists within the area with correct skills and knowledge. Appointed staff have primarily come from outside Suffolk. Although at the time of discussion, four experienced therapists and workers who have undergone further FFT training have been recruited (a critical mass needed for launch), recruitment is still ongoing to identify practitioners to fully complete the team. The provider discussed the approaches they were making to people in their network to address this recruitment issue and the value of bringing this skillset to Suffolk. They and Suffolk CC are determined to only hire staff with the appropriate skills and expertise and not respond to time pressures by taking chances on people who turn out not to be right for the service. However, they also highlighted that there will be additional costs to train staff recruited after this initial wave FFT training took place (which is otherwise only available in the U.S. or Finland).

Other added complications have included the effect of GDPR regulations on information sharing agreements between organisations involved in young people's care and the introduction of a new case management Liquid Logic system to Suffolk CC, but otherwise delivery will proceed largely as it was envisioned in the tender (and application document).

Implementation to date has been facilitated by the good relationships built between the commissioner, provider and investor. All parties highlighted the benefits of individual partners e.g. the flexibility and engagement of the commissioner, the expertise and commitment to the high fidelity of the model and cohort from the provider. The investor was praised for adding significant value (due to specific children's services SIB experience) and providing joint project management support during this period.

4.3.6 Management and governance of the SIB

The project's management and governance arrangements were not yet fully operational at the time of the research for this case study. Mobilisation meetings that have been taking place since the contract was awarded in 2018 will transform into board meetings involving the commissioner (as operational lead), a colleague with oversight of other Suffolk CYPS to ensure coordination, the investor and the provider. The provider has hired a programme manager to manage relationships with Suffolk.

The investor as the primary contractor will have the oversight of performance management, including financial monitoring but in terms of accountability it was viewed as a joint approach between commissioner, investor and provider – something welcomed by all. A single Special Purpose Vehicle (SPV) will be established for both the Suffolk and Norfolk SIB projects the provider is involved with. This will be independently chaired and include representation from the investor, commissioner and provider to monitor performance. The provider has also recruited a person to lead data management as based on past experiences they felt this would require additional expertise and capacity.

Performance measurement will involve monitoring the outcomes triggering payment and other outcomes including those related to education, wellbeing for young people, and parenting skills within their family unit. This is not only because they are important for individual young people but because they will provide essential context for the primary and secondary care outcomes. The provider explained that their previous SIB experience has prepared them for the need to monitor outcomes, and that while this was not new to the organisation it might be a new experience for any staff they recruit.

As an outcomes-based contract, value for money will be kept under constant review. Critical to this will be to ensure appropriate referrals and avoid cherry picking, for example by targeting young people who would have stayed out of care anyway. This was considered a key issue for the commissioner and the provider. A test review of cases by the provider to identify potential referrals was considered helpful and demonstrated their commitment to and expertise in selecting the right young people to work with.

4.3.7 Impact and learning

The provider and commissioner did not think the SIB/intervention would have been developed without the LCF. Suffolk CC were unlikely to have agreed to fully fund this intervention from their budget. The scale of the LCF was seen as a positive; it provided confidence that funding would be approved and made the effort required to put the SIB together worthwhile.

Based on their LCF experience the commissioner suggested they could see a potential for Suffolk district councils to adopt an investor role in future SIBs. This would involve lower costs than involving a third party but would require internal expertise and access to 'invest to save money' resources. In terms of operational learning, a key issue for the commissioner was to plan for time needed internally to secure executive approval before implementation can take place and build this into any future timetable.

From the provider's perspective, and based on previous experience, the key to SIB success is not the availability of private capital but the extent to which all partners, including the investor, remain committed to performance throughout the life of a project, through the outcomes focus.

Suggestions for how the LCF could further be enhanced included:

- Reduce the level of detail required for the final set-up application process, particularly when submitted prior to a provider being secured. As a result of the timing Suffolk's predicted participant numbers, costs and savings continued to be based on their educated calculations rather than provider forecasts or early monitoring. The commissioner recommended that grantees complete the final set-up application process after providers are on board in order to provide more accurate financial forecasts or reconsider amount and complexity of information required.
- Provide some flexibility on final grant amounts agreed to allow for increases in contractual costs that occur between the initial application and the award of the contract to the delivery partner.
- It was felt that there could have been more subject matter/policy expertise within the LCF delivery partnership on the kinds of interventions they were considering.

5 Interim conclusions and lessons learnt

This final section presents interim conclusions and the lessons learnt from the evaluation to date. The conclusions are structured according to the overall aims and objectives of Strand 1 of the evaluation, and the extent to which each can be addressed at this point, before the key learning points throughout the report are consolidated.

The previous sections have illustrated the rich variety of potential and actual projects supported under each theme of the LCF, but also that their individual rationales and development trajectories are highly context specific. In developing the conclusions, key findings aim to capture this diversity, and resulting learning, from the evaluation tasks completed to date.

5.1 Interim conclusions

As described in Section 1, this report provides interim findings relating to Strand 1 of the evaluation. In doing so it seeks to address, as far as is possible at this stage of the programme, a series of research questions grouped under two themes, namely:

- **Identify what worked well and less well with the implementation of the Fund** – identifying enablers and barriers, what worked well/less well, why some SIBs did not proceed in launching and generating learning for replication and future funding programmes; and
- **Investigate whether the Fund is on track to achieve its aims and objectives, and the impact it has had on the SIB market to date** - including whether the Fund is supporting the development of larger SIBs working at scale, increased the amount of capital available to VCSE providers, whether it has become quicker or easier to set-up a SIB, whether the SIBs would have been developed without the LCF top up funding and what types of innovation are being funded.

Each of the above themes are addressed in turn below. Some of the research questions, and particularly those associated with later stage effects and those resulting from the implementation of individual SIBs, can only be answered over time and will feature in subsequent evaluation reports. It should also be recognised, as elsewhere in this report, that the project monitoring data presented and upon which the conclusions are drawn is subject to change as successful applications progress towards implementation. Consequently, and to the best of the authors' knowledge, the data which informs this report describes the position as at 4 March 2019.

5.1.1 Progress towards the Fund's objectives

While it remains too early in the programme for definitive conclusions on the extent to which the Fund's key objectives have been achieved, progress to date suggests the following on Objectives 1 to 4 and 7.

Objective 1: Increasing the number and scale of SIBs

- The Fund has **contributed to increasing the number of SIBs operating in England** by supporting (at the time of writing) six new SIB-based projects across the themes of Children's Services, Young People, Drug and Alcohol Dependency and Healthy Lives to deliver services to their respective target groups. This number is set to increase as projects in the pipeline progress to delivery. High levels of attrition were identified between the EoI and main stage application process, but the LCF stakeholders interviewed expected levels to be lower as the current pipeline applications are progressed.

- It is worth noting that the vast majority of commissioners and providers, even when their applications were unsuccessful or not taken forward for other reasons, reported that they would consider SIB-based funding arrangements again in future, primarily as a means of accessing additional funding. However, this view commonly came with the condition that the necessary internal and stakeholder resources were available, and that support would also be available to develop the technical aspects of a SIB. It remains to be seen whether those reporting a continued interest in the SIB approach will follow this through in future.
- In terms of **increasing the scale of SIBs**, this is less clear cut. As Section 2 described, the scale of the projects in terms of both the outcome payments available and the expected number of service users varied considerably, illustrating the flexibility of the model in supporting projects of different sizes. However, when the total outcome payments available in the six Round 1 and 2 projects where delivery has commenced are compared to other SIBs across the UK[22], the findings suggest that the SIBs funded under LCF to date have broadly tended to be towards the middle/lower end of the scale (with total expected outcome payments for LCF projects averaging £3.1 million and ranging between £1.3 million and £6.3 million, compared to an average of £3.4 million of other SIBs in the UK, ranging between 1.2 million and £10 million). The current pipeline includes several much larger SIBs, where the challenge will be to ensure they are able to effectively negotiate the additional complexity of design and implementation at scale.
- The extent to which the Fund has led to a nation-wide **increased use of SIBs as a funding mechanism**, over and above those directly funded to date, cannot be answered at this point, and indeed can only be answered when the wider influences of the Fund (therefore on commissioner and provider behaviour amongst those not directly involved in the programme) can be assessed. However, on the basis of experiences of Round 1 and Round 2, it appears that the majority of the applicants interviewed had not previously been involved in a SIB – 10 of the 16 whose EoIs were unsuccessful/withdrawn having no previous experience of SIBs, as was the case with two out of three of the case study projects. As described above, and even when EoIs/applications were not taken forward, the majority of interviewees would be interested in exploring SIB-based opportunities in future.

Objective 2 – To make it easier and quicker to set up a SIB

Objective 2 acknowledged that SIBs are inherently complex due to the number of stakeholders involved, and they have had an average set-up time of 18+ months previously. Recognising that, this objective aims to encourage collective learning from this outcomes fund, in order to streamline the programme and learn for the future. A combination of factors was supposed to simplify the set-up of a SIB project, such as (initially) a wide range of expert advice and support, and eventually increased experience by all stakeholders, and the evaluation reports. It needs to be borne in mind that the time to set up SIBs under LCF is influenced by the fact that projects could design a bespoke set of outcomes, instead of adopting a standardised rate card approach as has been done in a number of previous outcomes funds.

The experience of the three case studies as well as the other interviewed applicants provides some initial insights into the extent to which the Fund has made it easier and

[22] Source: Building the tools for public services to secure better outcomes: Collaboration, Prevention, Innovation, GO Lab, July 2018

quicker to set up a SIB.

First, the enablers for the applicants mentioned above have contributed to making it easier to apply to and attempt setting up a SIB, such as the support offered by the Fund and the development grant, which was mentioned as an important success factor in one case study and was seen positively by all three case studies. In terms of the experience of these case studies with the length of time it takes to set up a SIB, the time between EoI submission and the approval of their final award was 21 months, with an additional six to eight months before the start of delivery, making an overall elapsed time of 27 to 28 months. This included time while applications were being appraised, delays in the final awards due to election purdah, and a lengthy (6 month) period while aspects of the projects were being considered by the delivery partnership. As none of the three case study project teams had previous experience of developing a SIB, they were unable to compare this to their experience under LCF.

The duration of the development period had caused challenges for one project, in terms of maintaining the engagement (and commitment) amongst their partners. In addition, each project, especially those from Round 1 of the application process, suggested that the LCF (and other future SIB-based programmes) could benefit from steps to: reduce the time required to help maintain stakeholder consensus and commitment; limit the level of detailed information required at certain stages of the process; ensure programme leads more consistently adhere to their implementation timetables and deadlines; and streamline the application process – with a preference for providing more detailed information if this minimised lengthy post-submission exchanges.

On the basis of the three case studies and other interviewees, the support offered by the Fund helped them to apply and made it easier to progress setting up their SIB project. The information available through the GO Lab website was well received and complemented for its quality and usefulness, while organised events were recognised as facilitating networking and providing useful technical information. The development grant was indispensable for applicants when it enabled them to both free up internal capacity and buy in expertise to support the development of their SIB.

Where applicants had engaged with investors their support in developing the technical aspects of the SIB financial model, along with their knowledge of the provider market and contracting process was also identified as valuable.

Both successful and unsuccessful applicants frequently reported that they had learnt a lot in the process of making their application, knowledge that would be carried forward into any future SIB applications. There is, however, little evidence to suggest that the LCF has made it quicker to establish a SIB. It is expected that considerable learning will be gained from these early SIBs and their experiences will continue to inform the progress of subsequent rounds. Subsequent fieldwork rounds will be able to explore progress towards the achievement of this objective across a wider SIB pool.

Objective 3 - To generate public sector efficiencies by delivering better outcomes and use this to understand how cashable savings are

It is too early to comment on **savings achieved to date**, given that the projects are in the relatively early stages of implementation.

Objective 4 – To increase social innovation and build a clear evidence base on what works

One of the most commonly reported benefits of SIBs is their ability to facilitate **innovative approaches** through the combination of accountability for outcomes and flexibility in delivery that the SIB funding model can be used to create. Again, recognising that the current evidence base is small but growing, the presence of innovation needs to be reviewed across a greater number of projects before firm conclusions can be drawn.

'Innovation' is a flexible term and it is used here to capture new methods and changed approaches which may operate by several mechanisms:[23]

1) Innovation in **collaborative working**, which can, for example, include a collaboration between different types of commissioners (County Councils, Clinical Commissioning Groups (CCGs) and Police Crime Commissioners (PCCs)) or a partnership-based procurement of providers;

2) Innovation in choice of **intervention**, which can include:

a. Implementing an untested or wholly new intervention;

b. Implementing ideas proved to work elsewhere but being tried for the first time in this context or with this target group; and

c. Implementing an already tested intervention; but trying out new aspects to improve and adapt it, potentially with the input of service users.

3) Innovation in types of **performance management**, in the sense of creating a more rigorous approach than previously adopted (for example more detailed monitoring, creating clear outcomes measures) and the effective and rapid use use of monitoring information to review progress in service delivery and make changes intended to drive improved outcomes.

Innovation has been a central aim of the SIB model: it has been argued that by transferring financial risk from the government and local authorities to investors, innovation is more likely to happen. Nevertheless, there still is a tension between the desired 'risk reduction' aspect of the SIB model and the extent to which innovation can be supported, and it may be argued that innovation in the sense of conducting an untested or wholly new **intervention** (see 2a in the definition above) does not sit well with the SIB model.

As several examples in the report show, all parties involved in the development of the SIBs viewed the risks associated from different perspectives. Social investors can be concerned that approaches that are 'too innovative' lack an evidence base, making it difficult to predict performance in outcome delivery and therefore rates of return. While commissioners may not face financial risk, they want their objectives to be achieved and avoid any negative reputational effects.

This is underpinned by the fact that innovation in the intervention inherently carries risk, with the greater the level of innovation the greater the risk. It seems that the innovation of the intervention they display is commonly characterised by 'ideas proved to work elsewhere but being tried for the first time in this area/context or with this target group', or where combinations of approaches are being applied for the first time (see 2b in the definition above). 'Pure' or 'blue sky' innovation is identified less often (see 2a above), as the level of associated risk is less palatable to funders or commissioners. Whether

[23] This constitutes a working definition created by the Office for Civil Society's Analytical Team, in consultation with the Centre for Social Impact Bonds.

projects try out new aspects as they progress in an innovative process of improving and adapting, based on the needs of service users (see 2c above), will need to be assessed once a larger number of projects is in operation.

Innovation in terms of **collaborative working** could so far be observed in case study 2 in particular – where the commissioner (West London Alliance) has been acting as a single commissioner on behalf of 8 London boroughs, 8 CCGs, and local Jobcentre Plus Districts. It should be noted, however, that this collaboration may have happened even without the SIB or PbR approach.

Another important mechanism which can help stimulate innovation, as well as helping promote the use of SIBs more widely, is the creation of **new performance management** approaches to build an appropriate evidence base (see 3 in the definition above). This can give funders and commissioners confidence that selected interventions can be effective (especially where 'new' interventions are introduced in an area/with new a target group), illustrate their benefits and help with the development and agreement of appropriate outcome measures – alongside showing the potential benefits of following a SIB model.

The LCF delivery partnership has already shown a commitment to maximising the learning from the implementation of the Fund. While valuable lessons have already emerged from the development stage, the challenge will be to ensure that lessons from delivery on the ground are gathered, disseminated and used to inform future interventions.

The types of innovative approaches that projects adopt will be further assessed once a larger number of projects have launched.

Objective 7 - To grow the scale of the social investment market[24]

The **value of investment committed to date**, based on the successful Round 1 and 2 applications data, is some £6.21 million. Again, this can be expected to increase as the remaining pipeline applications progress – and shows positive progress towards the objective of growing the investment market.

5.1.2 Implementing the LCF - enablers and barriers

Sections 3 and 4 of this report detailed the experiences of applicants engaging with the Fund whose EoIs were unsuccessful or who withdrew from the process; those who withdrew after submitting full applications; and three projects whose applications were successful and had progressed towards implementation.

Looking across all three applicant groups, a series of enablers and challenges were identified in the interviews conducted, contextualised by the stage in the programme they had reached. The **enablers** identified included:

- The **support offered by the programme**, both by the LCF delivery partnership and through the development grant (below) – at all stages of the application process but particularly as the projects move towards implementation. The breadth of support available across the delivery partnership has also been key – from help negotiating with investors to assistance with tools to help applicants negotiate the process.
- **The development grant** was widely regarded as a key source of support in helping develop the individual SIBs – especially the projects' business case and/or financial

[24] Social investment market here refers to the social investment outcomes market as the market the LCF is intended to influence.

model. However, several interviewees felt that it should be able to be used to fund internal, as well as externally commissioned support, as this would help free up / backfill staff time by funding short-term replacement staff.

- **Establishing engagement, commitment and buy-in** at an appropriately senior level to influence decision making and taking steps to ensure a high level of commitment is maintained over what can be a considerable time period and should any key staff move on.
- **Commissioner attitude to risk, and the willingness to take on more risk to support innovation**, emerged as an important enabler. This was coupled with a provider base which is familiar with carrying risks associated with delivery (for example through their experience of PbR contracts).
- **Cashable savings or costs avoided being clear, realistic and evidenced** – to provide a compelling case to commissioners;
- **A culture of local collaboration** – where organisations are used to working closely and collaboratively, with the mechanisms in place to support this through to delivery, and often where efforts are led by individuals committed to the driving the project through to implementation.

The **challenges** experienced included:

- **Engaging with commissioners and wider stakeholders** – either where proactive contact on behalf of the provider applicant was limited, or where commissioners had not responded to attempts to engage with them. In some cases, engagement with commissioners identified either limited support for the proposed intervention (for political, financial or strategic reasons), while others reported commissioners unwilling to engage until an 'in principle' agreement had been reached. In applications involving multiple commissioners, lead commissioners could also experience challenges in maintaining engagement and buy-in from all partners especially when the application process was fairly lengthy.

  More broadly, commissioners and wider stakeholders were, in some cases, reported to be 'risk averse', sceptical of the SIB concept, and questioning of the level of outcome payments and the cost savings delivered. In a few instances interviewees reported a political or ideological antipathy to the idea of SIBs, primarily around the notion that investors would receive a return (or 'profit') from public funds. In some cases, concerns over the financial implications of committing to a long-term programme were barriers, particularly where concerns were raised over priorities changing over time.
- **Difficulties developing and agreeing appropriate outcome measures** – including an inability to reach consensus on what the project was trying to achieve, issues with outcomes which would not be realised for a considerable period of time, and challenges in establishing outcome frameworks in fields where the existing evidence base is limited. This was particularly the case for applications proposing complex interventions, involving multiple commissioners, where challenges existed around attribution and causality, and who should pay for which outcome.
- The perceived **complexity of, and the resource required to, develop a SIB** – which had led two EoI applicants to withdraw as the necessary resources were not available to them;
- Project ideas being perceived as **too risky for a SIB model** – explored at 5.1.4, and including examples where more 'innovative' projects, the effectiveness of which was

unknown, were considered too high risk for commissioners or funders to engage with.

The interviews with the Round 1 and 2 applicants who had either been unsuccessful or had withdrawn from the process provided some early and useful insights into the **reasons why they withdrew** from the programme.

In describing their reasons for withdrawal, the **EoI applicants** reported many of the challenges listed above, but more specifically difficulties engaging with commissioners by providers, or engaging but failing to secure their support, when bids did not align with commissioners' current strategic priorities. Commissioners were also reported to be unwilling to engage with providers until they had received a firm offer of funding. For others, the challenge of developing or agreeing appropriate outcome measures led to them not taking their application forward.

5.2 Learning for replication and future funding programmes

Experiences of implementing the LCF have provided the following stream of learning of relevance to both the remainder of the current programme and future SIB-based initiatives.

From the stakeholder perspective, interviewees described how their experiences of implementing the Fund have influenced the nature of the support offered to projects as they progress towards delivery. This has included a recognition of the complexities inherent in establishing a SIB, and consideration of how the delivery partnership can best support project development, leading to increasingly close engagement with projects and the provision of more 'hands on' support.

What has emerged is a type of co-commissioning approach, with increased flexibility around timescales to reflect the challenges faced in negotiating the technical aspects of SIB design and based on the realisation that the LCF grant required a different approach than that followed in more traditional grant funding mechanisms. This can be seen to reflect wider developments in grant making approaches elsewhere, which are increasingly based upon working on more of a partnership basis with projects as they develop, to better understand their individual contexts and so intervene more effectively.

Key learning points underpinning the evolution of the delivery partnership's approach include:

- That the provision of **timely support** is key – with requirements being different at each stage of the application and development process and relying upon effective communication to both promote the 'support offer' and ensure projects can access it as required.
- Fostering an **environment of openness** in consultation with projects – to emphasise a 'collaborative approach' to development, and building a sense of shared endeavour, to ensure projects remain engaged. Stakeholders described how, while the technical aspects of the support provided were important, it could be equally important to provide **ongoing encouragement** throughout the development process.
- The importance of **maximising and effectively transferring learning** – including drawing upon the lessons from commissioners and providers with previous SIB experience, ensuring lessons from development, implementation and service delivery are not lost, and building an evidence base to inform both policy and practice. Developments are ongoing to further support the sharing of learning across the programme, for example the SIB Knowledge Club, and it is

important that these focus on the practical aspects of SIB development and implementation, while also informing their theoretical underpinnings.

- Recognising that the need for support **does not end once projects launch** – particularly if the individuals driving the project forward have moved on.

Applicants to the Fund at **EoI and full application stages, but whose applications were not taken forward**, also provided key learning points on the basis of their experience. From the **provider/lead applicant** perspective, learning focused on efforts to lead a SIB and in particular securing buy-in from commissioners, with the following learning points identified:

- SIBs can have more **negative connotations** for commissioners and local authorities than originally anticipated. Even if the approach appeared to represent better value commissioners remained uncomfortable moving away from 'fee for service', with ethical objections also being raised. This led one to conclude that "*a massive cultural shift is needed to bring SIBs to the fore*", and a second reported encountering "*myths that can be unfounded but never busted".*
- **Talking in 'local authority commissioner language'** – in making the case for SIBs it was important that providers and intermediaries are '*able to speak the language of local authorities in order to counter their mistrust' ,*and understand the context within which they operate. Local commissioners were also seen as being risk averse and highly process-led, where tiered decision-making and internal bureaucratic expediencies could delay progress, which had to be factored into the SIB development process.
- **The importance of a better understanding of the risks faced by local authorities when signing up to fund long term projects** – for example committing to longer-term funding arrangements where budgets and priorities could change over time. This was reported by both providers and commissioners, who considered that this was not always appreciated by investors, intermediaries and the LCF delivery partnership, and that more could be done to improve understandings of this.
- **Similarly, openness and honesty about the risks involved is critical** – wherein the risks inherent with a SIB should not be underplayed and that open and honest discussions be had from the outset. Where SIBs are **led by providers,** commissioners should be open about their reservations and the likelihood of them committing to avoid wasted time. At the same time, it was recognised that provider-led SIBs may be **particularly challenging** and require additional support in engaging with commissioners early in their development.

Many **commissioners** interviewed found their experience of the development process *'very rich and informative',* describing it as a *'great learning experience'* – notably in terms of improved financial intelligence and higher quality data about their potential cohorts, which they could use to inform future targeting and intervention. In terms of assembling a SIB partnership, key learning included the importance of:

- Commissioner **involvement in and commitment to** the project from the outset – to ensure that there is both need and demand at the commissioner level for the intervention being developed;
- Engaging with **social investors early in the process**/before the full application is submitted – to allow their technical experience and knowledge to be drawn upon early on the process; and

- Clear understanding of **current and future strategic priorities** – as these may change over the time required to establish a SIB - while also building in where possible sufficient flexibility to respond to change over time.

Potential **improvements to the LCF application process** were also suggested by the interviewees, although overall the process was viewed positively. The advice and support received was much appreciated, with applicants describing the delivery partnership as flexible and responsive. Particularly helpful was where there had been flexibility around timeframes and changes to the delivery model and its metrics. Suggestions for improving the process included:

- Allowing the **development grant to be used for internal as well as external resources**, not least as the procurement process distracted attentions from actually developing the SIB. One option would be to provide development support directly through the Fund (to avoid a long procurement process).
- Providing more proactive communication and clarity of over the **leadership and governance** of the Fund – as some interviewees were confused over the roles played by members of the LCF delivery partnership and did not know who had ownership of it.
- Clearer guidance on the **amount of top up funding available** with several R1 applicants questioning why the guidance notes mentioned that the top-up would be aimed at 20%, whereas it later hinted at the fact that as much as 49% was available, which was not clear to all applicants. This emphasises the importance of clarity and on-going communications throughout the application process.

Finally, the experiences of the **three case study projects which had progressed through the final set-up stages to commence delivery** also provided useful learning points. These included:

- **SIBs aren't necessarily as complex as they may seem** – with complexity, particularly around the detail of the financial model and payment triggers, being seen as a common misconception that is off-putting for commissioners. Keeping things simple was described as key, alongside establishing a shared vision for all partners to work towards.
- **Provider vs commissioner led SIBSs** - with the advantages of provider led SIBs including the observation that providers had the most detailed understanding of the cohort and the most effective approaches to working with them, alongside how outcomes can best be measured. This ability to provide insight is not restricted to provider led SIBs, and emphasises the role that providers can play in informing understandings around local cohorts and outcomes measurement throughout the development process. Conversely, disadvantages included some aspects of the SIB (such as the detail of the financial model and having access to the information to develop this) being beyond the control of the provider.
- **Agreeing contractual terms** – in one case earlier and more detailed discussion would have been useful from the outset and could have mitigated some of the delays experienced before the project launched.

While applicants were positive about the application and development process overall, potential **areas for improvement/replication** in future included:

- Shorter, more transparent and more consistent timelines – to help maintain stakeholder buy-in, ensure policy/strategic relevance, reduce uncertainty and help projects to plan development activities effectively;

- Streamlining the application processes – considering requiring more detailed information earlier in the process to avoid lengthy post-submission clarification, and scheduling of activities more clearly within the process (e.g. should providers in commissioner-led projects be engaged prior to 'final set-up'?);
- Tailored support for provider-led projects – to reflect the different dynamics and potential challenges of provider-led projects;
- Enhanced support around SIB procurement and contracts – more advice and the use of an external “honest broker” in contract negotiations would have been useful; and
- Consistency and continuity of support – ideally through a single, knowledgeable and trusted mentor for the duration of the SIB development process. It was also felt that the delivery partnership could sometimes have demonstrated deeper subject knowledge/policy expertise around the themes being considered.

ANNEXES

Annex I - Programme Logic Model

Figure A1.1 Programme logic model: dashed lines represent revised linkages