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SOCIAL IMPACT BONDS 2.0?

FINDINGS FROM A STUDY OF FOUR UK SIBS

This briefing paper draws together ideas about the next generation of Social Impact Bonds (SIBs) that will be better placed to deliver more innovative approaches and act as positive disruptors in local public services. It is based on research in four SIBs managed by Bridges Outcomes Partnerships (Bridges) and ideas developed by researchers at the Policy Evaluation and Research Unit at Manchester Metropolitan University and the Sol Price Center for Social Innovation at the University of Southern California.

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FINDINGS FROM A STUDY OF FOUR UK SIBS

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SOCIAL IMPACT BONDS

About ten years ago the first Social Impact Bonds (SIBs) appeared. They are a form of outcomes-based commissioning where the finance needed to make the contract work comes, not from government or the service provider, but from third-party investors who provide up-front capital to organisations, often from the voluntary, community and social enterprise sector, to delivery services. The investors then receive their investment, plus a return, from local and/or central government if outcomes are achieved.

Commentators including policy-makers, think tanks and academics distinguish SIBs from other forms of outcome-based payment by emphasising that they:

- are a catalyst for innovation in the design and delivery of front-line services and, in turn, a driver of public sector transformation;
- bring new, socially motivated investors into public services by aligning social and financial returns on investment; and
- minimise risk for service commissioners who only pay for agreed outcomes that are delivered and, at the same time also minimise risk for smaller, third sector providers whose costs are covered by investors' up-front investment.

MIXED RESULTS TO DATE ON INNOVATION

Research to date suggests that, while SIBs have had some success in bringing social investment into public services and have, in the process, transferred risk away from service commissioners and third sector providers, their record on innovation is less clear. SIBs have undoubtedly exhibited elements of financial innovation and often encouraged a greater emphasis on performance management and accountability within delivery organisations, but they have yet to demonstrate that they are an effective model for fostering innovation in the design and delivery of services. Studies of individual SIBs and analysis of secondary data from across the sector suggests that SIBs are less effective at early stage innovation of services and more likely to either pilot previously developed approaches or to 'scale-up' delivery of previously evaluated interventions. Evidence that they are 'positive disruptors' driving public service transformation is limited.

PERU Policy Evaluation & Research Unit

The Policy Evaluation and Research Unit at Manchester Metropolitan University is a multi-disciplinary team of evaluators, economists, sociologists and criminologists. We specialise in evaluating policies, programmes and projects and advising national and local policy-makers on the development of evidence-informed policy. We have a long-standing interest in social investment and Social Impact Bonds. See www.mmuperu.co.uk for details of relevant publications.

USC Sol Price Center for Social Innovation

The Sol Price School of Public Policy at the University of Southern California is a leading urban planning, public policy, public administration and health policy and management school. The Sol Price Center for Social Innovation is located within the School and develops ideas and illuminates strategies to improve the quality of life for people in low-income, urban communities.

TIME FOR A NEW TYPE OF **SOCIAL IMPACT BOND?**

In a recent paper[1], members of this research team looked at current thinking on how to encourage innovation, particularly social innovation, and argued that for SIBs to realise their full potential as incubators of innovation they needed to incorporate a stronger element of co-creation, which is an integral part of the social innovation process.

In co-created services, people who use services work with professionals to design, create and deliver services. Not only would this help in developing more truly innovative approaches to meeting pressing social needs, but it would provide a stronger challenge to established systems of public service delivery, allowing SIBs to play a more significant role in public sector transformation.

Members of the team have also shown[2] how co-creation in public services requires services to re-think how they relate to and engage with people who use their services. They argue that adopting asset or strengths-based approaches to service delivery is implicit within co-created services. Asset or strengths-based approaches start from the position that people have assets or 'strengths', including both their current intangible resources (perhaps skills, experience or networks) and their potential to develop new community and personal assets. Strengths-based approaches support citizens' development of their capacity and their opportunities to exercise agency in undertaking small acts that build meaningful relations. These are services that ask questions such as 'what matters to people?' and not 'what is the matter with them?'

Bringing together these ideas the research team suggested that for SIBs to reach their potential on innovation they needed to do some or all of the following:

- co-create service solutions with citizens;
- adopt strengths-based ways of working;
- draw together broader and more inclusive partnerships in which a wider range of organisations with experience of delivering services in a locality and a better understanding of the needs of local people had a greater say in service development;
- allow for more experimentation in service delivery; and
- tackle more complex social outcomes.

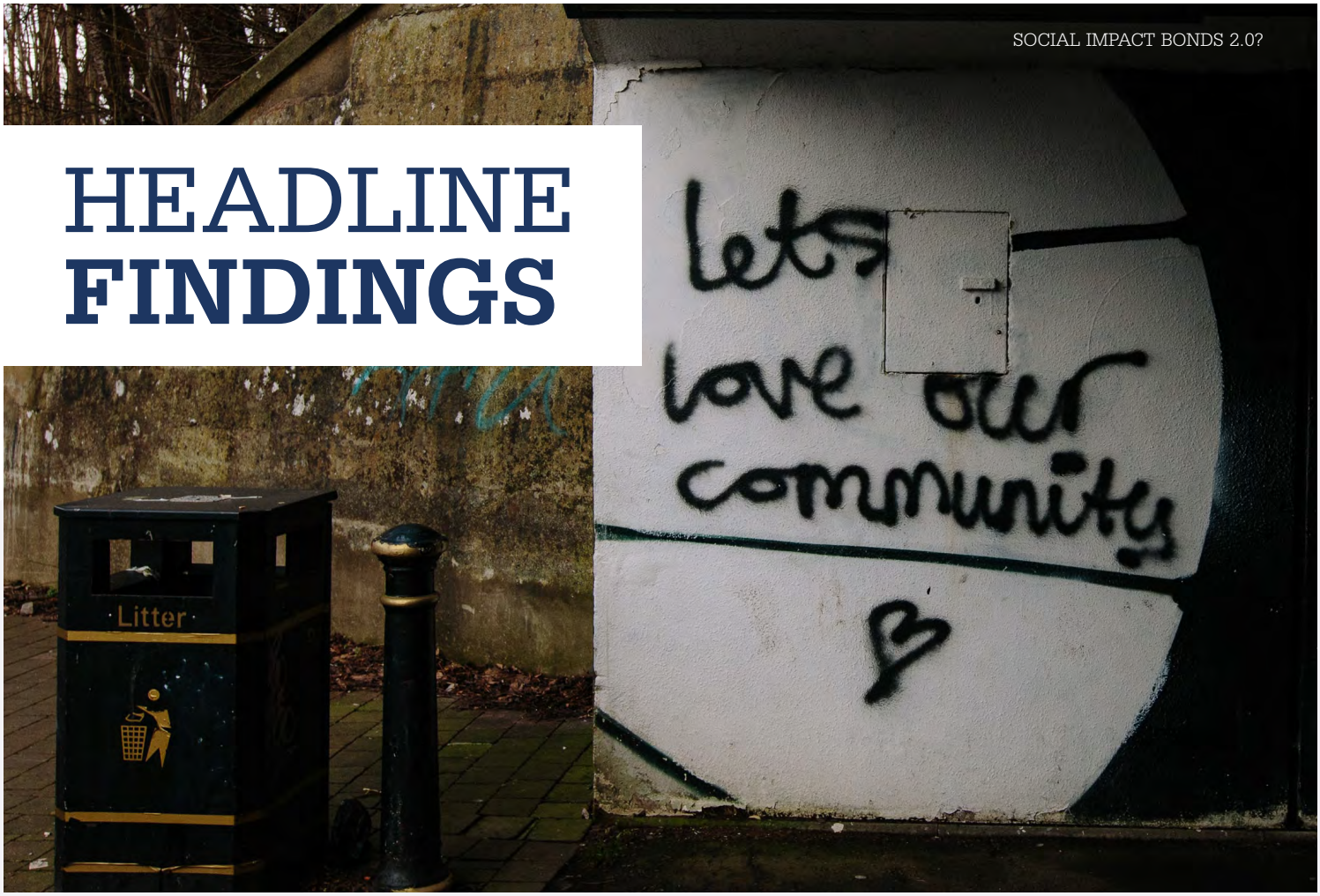
RESEARCHING IDEAS IN PRACTICE

Working with Bridges we identified four SIBS to test these ideas. All four use social outcomes contracts and employ strengths-based working in the services that are commissioned through the SIB. All of the SIBs are managed by Bridges and were at different stages of development, from early delivery to close to completion. Three of the SIBs had a focus on housing and homelessness and one on wellbeing. They operated in public service delivery systems with different scales of size and complexity. More information about these SIBs is set out in Table 1. In each SIB we reviewed key documentation and carried out a programme of key informant interviews with a local authority payers, the SIB manager, front-line service delivery staff, partner agencies and investment managers. For this scoping study volunteers and people who used services were not included.

[1] Albertson, K., Fox, C, O'Leary, C., Painter, G., (2020) 'Towards a Theoretical Framework for Social Impact Bonds', *Nonprofit Policy Forum*, https://doi.org/10.1515/npf-2019-0056

[2] Fox, C., Baines, S., Wilson, R., Martin, M., Ganugi, G., Prandini, R., Bassi, and Gründemann (2020) *Where Next for Co-creating Public Services? Emerging lessons and new questions from CoSIE*, Turku: Turku University of Applied Sciences

HEADLINE FINDINGS



All four SIBs had developed strengths-based service delivery models:

- Strengths-based services in these SIBs were multi-faceted, supporting people to address their holistic needs, generally within a community setting, while also challenging current systems to move away from deficit-based thinking.
- Strengths-based work necessitates community development work to ensure that the services that people need are available to them. All four SIBs supported individuals to expand their own social and interest-based networks whilst also supporting the growth of new place and interest-based network relations.
- A key challenge has been to bridge the psychological gap many feel in terms of their relationship with service provision. Practice in services funded by these SIBs challenged existing relationships and narratives held by individuals, and sought to address issues related to various forms of 'institutionalisation'.

Strengths-based working had significant impacts on organisations, staff practice and professional development within the SIBs that we looked at:

- Strengths-based services entail front-line staff adopting new roles with increased levels of communication, collaboration and reflexivity delivered by staff with more autonomy.
- Organisations that embrace strengths-based models of service delivery must also change, devolving responsibility to front-line staff and moving away from highly specified 'interventions' to flexible working models that foreground values and prioritise co-production with people who access services.
- The way organisations delivering strengths-based approaches recruit and train staff change with greater emphasis on values-based recruitment and new approaches to training.

Strengths-based working entails radically different approaches to individual assessment, planning and managing risk:

- We saw evidence that assessment processes changed significantly when organisations adopted strengths-based approaches. There was more emphasis on relationship building, developing an understanding of people's goals and less bureaucracy.
- Planning was characterised by greater flexibility and more informality than service plans in 'traditional' services. Plans placed individuals at the centre of any intervention, prioritising their voice and needs above the organisation's. There was some evidence that more person-centred planning speeded up the support that individuals received as services were delivered more intensively.

- Strengths-based approaches encouraged new approaches to assessing, recording and working with risk, including 'positive risk-taking'.

We saw examples of how strengths-based service delivery can be a catalyst for the design of innovative services to meet pressing social needs, encouraging the greater use of rapid experiments:

- Strengths-based, personalised service delivery requires day-to-day, on-the-ground innovation by front-line workers and participants to respond to each individual's unique context. One example was the use of personal budgets in several of the SIBs.
- Many organisations were pilot testing new approaches to meet emergent gaps and to improve programmes, for instance in order to overcome implementation barriers. However, evaluation of these experiments was generally adhoc and informal.
- Many stakeholders entered into the SIB due to a need and desire to innovate, for instance in order to respond to urgent social issues or to access vital funding.

Strengths-based working tends to challenge the wider public service delivery systems within which it takes place, but making the model sustainable and resilient in wider systems that are still deficit-based is challenging and gains are often modest:

- Delivering strengths-based approaches through a SIB commissioning model encourages services to collect evidence of outcomes and can support arguments to extend strengths-based working models for a wider public service delivery model.

- The effective use of collaborations and partnerships can help promote strengths-based working in other parts of the system.
- The pace of change and the scaling-up of new ways of working can be slow but it is important to recognise changes that occur within the wider system and find ways to consolidate them beyond the lifetime of the SIB.

It is possible to develop person-centred practice and use strengths-based approaches within a social outcomes contract such as a SIB, however certain features of the design of the SIB and the approach to managing the SIB are required to support this approach.

- These SIBs were not designed around a standardised or 'manualised' intervention. Instead they gave considerable discretion and autonomy to service providers with experience and established ties to the local communities. This approach allowed for the importance of place-based solutions within the strengths-based approach.
- Rate cards which allowed for multiple individual outcomes to be pursued were important to support a personalised and co-produced approach to service delivery.
- Investment in these SIBs was not fixed. Funding could be adjusted according to both the needs of individuals accessing services and system-level gaps in provision. This was possible because Bridges currently manages three funds focused on social outcomes and manages them in a way that makes it possible to vary the funding available to individual social outcomes contracts, where additional investment in trialling new approaches would allow improvements in overall wellbeing by more outcomes on the rate card being achieved for each individual.
- Tracking progress towards shared targets allows service providers to adjust programs and individual plans to achieve higher levels of success, including by collaborating with other SIB partners in programme management.

While co-production of services for individual people was integral to person-centred practice and led to innovation, more democratic co-creative approaches to designing SIBs were yet to emerge. We found some evidence of tentative moves towards greater co-creation in the design of SIBs and plans for greater co-creation in the future.

WHAT HAVE WE LEARNT ABOUT **SIBS?**

Theory suggests that for SIBs to realise their full potential as incubators of innovation they need to incorporate mechanisms that allow people with lived experience to work with other stakeholders to co-create services that meet people's needs and that draw on the strengths and assets of people who use services, allowing them to exercise agency. This model of working provides strong foundations for challenging established ways of working in public services and changing local systems. Co-creation generally attempts to reposition people who are usually the targets of services (i.e. have services done to them) as asset holders with legitimate knowledge that has value for shaping service innovations[3]. SIBs that unlocked these possibilities could play a more significant role in public sector transformation.

This study of four SIBs provides some evidence of how adopting a strengths-based approach can support and is intertwined with delivering social innovation, although we found more evidence of people working with organisations to co-produce personalised services that met their specific needs than we did of people being involved in co-creating whole services. There was some evidence that some of the SIBs were moving towards greater co-creation in the design of whole services and the SIB framework itself.

The experience of the four SIBs suggests that the implementation of strengths-based approaches often involves organisations and the people who work in them discarding cherished assumptions. Previous studies have found that the support of people who deliver services is vital if co-created, asset-based services are to be designed and realised but that the involvement and the contribution of professionals in co-creation are often taken for granted. But previous studies are often sketchy when it comes to describing what is actually involved in transforming an organisation to deliver strengths-based approaches. This study has identified practical solutions that managers and staff in front-line delivery organisations can adopt.

This study shows how the structure of the SIB can facilitate a move to strengths-based working. Key elements of the SIB structure included:

- **involving a wide range of local partners in the design of the SIB, rather than appointing a service provider once the SIB contractual framework was complete;**
- **moving away from using standardised delivery models towards service delivery models that emphasised individualised or personalised services;**
- **adopting a rate card that allowed for multiple outcomes at the level of the individual so encouraging service providers to closely monitor individual progress and adjust individual service offers if one approach didn't work; and**
- **flexibility around levels of investment in the SIB to allow for new service offers to be developed as new needs were identified.**

Overall, our findings suggest that for SIBs 2.0 to facilitate greater co-creation and social innovation through strengths-based approaches, they need to allow for higher degrees of flexibility in funding and service personalization, establish strategies to support systemic change past the terms of the contract, and engage service users earlier in the design process.

[3] Bassi, A, Baines, S Csoba, J and Sipos, F (2019) Social Investment in theory and praxis: A 'quiet revolution' in innovative local services? in Baines, S, Bassi, A, Csoba, J and Sipos, F (eds) *Implementing Innovative Social Investment: Strategic Lessons from Europe*, Bristol, The Policy Press, pp 195-213.

WHAT HAVE WE LEARNT ABOUT **WIDER PUBLIC SERVICE REFORM?**

The study shows how adopting strengths-based approaches has wider implications for public service reform. Strengths-based approaches imply a change in the way that government and public services relate to citizens. In our study we saw how a relational model of commissioning and delivering public services could work. Such a model was not fully developed in the four SIBs we looked at, although we did find evidence of relationships between people who use services and professionals who deliver them changing when services were co-produced and we saw potential for people with lived experience being involved in co-creating whole services and the overall SIB framework.

A range of commentators working in different fields are thinking about how co-created and strengths-based services imply a fundamental re-thinking of the role of the welfare state and hence the relationship between individuals and the state. For example, New Public Governance is an emerging concept in public administration that envisages a relational state in which individual citizens help co-create the services they use[4]. There are also practical examples from community development projects which design services that offer, what Nesta have termed 'good help'[5] and what Hilary Cottam calls 'radical help'[6].

'Good help' or 'radical help' are strengths-based approaches that change the focus within public services from managing people's needs to building their capabilities:

> *"The current welfare state has become an elaborate attempt to manage our needs. In contrast, twenty-first-century forms of help will support us to grow our capabilities."* (emphasis added) (Cottam 2018: 199)

The Capabilities Approach is referenced in both the literature on co-creation and strengths-based approaches and the idea of helping people grow capabilities ran through the different SIBs we studied. These approaches are based on people exercising agency to define their own goals in order to meet needs that they define as important. But this is not simply about giving people choice. Alongside choice, people need a guiding vision of a good life and that is a moral question: how *ought* we to live. Exercising agency, defining capabilities and deciding what a 'good life' looks like are not simply philosophical issues. The Dutch philosopher Claassen[7] shows how recognising that agency is fundamental to the human condition can be the starting point for building an account of basic human capabilities as those necessary for individuals to navigate freely and autonomously between different social practices.

If we apply these ideas to strengths-based approaches we can identify some real-world implications.

From a policy perspective we see that co-creation and strengths-based approaches are necessary, not simply desirable, for creating innovative public services. Helping people exercise agency and build their capabilities are important policy goals that help improve wellbeing.

From a practice perspective, supporting individuals to develop their capabilities requires new modes of working for organisations and front-line staff. Our research to date in the four SIBs provides some glimpses of this new service delivery model in action and shows how SIBs can be a useful model for commissioning such approaches.

[4] Osborne, S. P. (2006). The new public governance? *Public Management Review* 8 (3): 377–387.

[5] Wilson, R., Cornwell, C., Flanagan, E., Nielsen, N. and Khan, H. (2018) *Good and Bad Help: How purpose and confidence transform lives*, London: NESTA.

[6] Cottam, H. (2018). Radical Help: How We Can Remake the Relationships Between Us and Revolutionise the Welfare State. London: Little, Brown and Company

[7] Claassen, R. (2018) *Capabilities in a Just Society*, Cambridge: CUP

TABLE 1: OVERVIEW OF THE FOUR SIBS

	Be the Change, Northamptonshire	Greater Manchester Homes Partnership
Start and end	**October 2017 – October 2020**	**January 2017 – January 2021**
Theme	**Youth homelessness**	**Entrenched rough sleeping**
Issue	Young people who are homeless with complex needs such as total relationship breakdown, physical and mental health problems including addictions, long-term unemployment, disrupted education and trauma.	Entrenched rough sleepers have complex needs and access to stable housing is not in and of itself likely to address these needs. Thus, even if a person is able to secure a tenancy they often struggle to maintain it.
Target group	Target of 97 homeless and NEET (Not in Employment, Education or Training) unemployed young people aged 18 – 30. Eventually 111 young people were accepted onto the programme.	Original target to help around 200 individuals who have slept rough at least six times in the past two years and/or are well known to homelessness services. Contract increased in 2018 by 45%, to help around 290 individuals. Programme actually supported 406 and housed 356.
Outcomes	Sustained accommodation, sustained employment, education/training	Sustained accommodation, wellbeing, access to and sustained engagement with mental health, alcohol and drugs services, training, and sustained employment.
Core intervention	Be the Change' based on Mayday Trust's Personal Transitions Service, an assets-based approach that focuses on identifying people's strengths and the providing personalised support to help them achieve their goals. The model also challenges the current system of provision and includes a strong focus on identifying system barriers and working out how to 're-enfranchise' front-line workers.	Wrap-around support needed to enable individuals to sustain a tenancy in homes made available by partners. Services are strengths-based and delivered by Asset Coaches (many of whom have lived experience) using an assertive outreach model to ensure individuals receive intensive emotional and practical support to access appropriate health, training and employment services.
Commissioner (payor)	First for Wellbeing CIC, a social enterprise set up as a partnership between Northamptonshire County Council, Northamptonshire Healthcare NHS Foundation Trust and the University of Northampton. The National Lottery Community Fund.	Greater Manchester Combined Authority and Ministry for Housing, Communities and Local Government (MHCLG)
Delivery partner	Mayday Trust	Shelter, Great Places, The Brick and The Greater Manchester Housing Providers (GMHP) of whom One Manchester and Trafford Housing Trust also invested.

	Kirklees Better Outcomes Partnership	Thrive.nel, North East Lincolnshire
Start and end	**September 2019 – 2024**	**August 2018 – July 2025**
Theme	**Homelessness**	**Long Term Conditions**
Issue	People over 16 who have support needs that impact on their ability to live independently and who may be at increased risk of homelessness due to their disabilities, vulnerabilities, issues or lifestyle factors.	Adults with Long Term Conditions place increasing demand on NHS services. These demands correlate strongly with issues linked to aging, deprivation and loneliness.
Target group	6,000 vulnerable people in Kirklees who are homeless or at risk of homelessness. Includes offenders, people with mental health problems, learning disabilities, those who abuse substances, those at risk of domestic abuse, refugees and care leavers or young people at risk including young parents.	450 people aged 18 – 75 (originally 65) living in NE Lincolnshire have started the programme to date. Individuals have at least one of several (Long Term Conditions: Atrial Fibrillation; Asthma; COPD; Diabetes; Hypertension; Chronic Heart Disease; Diabetes Type 1; Epilepsy; Osteoarthritis & osteoporosis; and Fibromyalgi) and fit with programme because of their wider psychosocial situation, particularly being isolated and sedentary.
Outcomes	Achieving long-term independence for participants, including improved wellbeing and sustained accommodation and employment.	Improvement people's wellbeing; increases in people's ability to effectively manage conditions; reductions in Primary and Secondary care usage.
Core intervention	Community based service offering peripatetic support for individuals in Kirklees who may be experiencing or at risk of homelessness, helping them to access or sustain suitable accommodation. Working with them to enable development of skills required to sustain tenancies independently over time. Person centred approach covers four main inter-related areas: housing; health and wellbeing; education and employment; and support to stay safe if at risk of domestic abuse.	Community-based social prescribing model to put people in control of their lives and develop their capacities and capabilities, matched to opportunities locally. Link workers co-develop an Action Plan with people in the programme and support them to access community-based support. Link-workers have access to a flexible fund to support participants in achieving their goals. Where no community interventions exist the programme develops new community-based interventions.
Commissioner (payor)	Kirklees Council and Department for Culture, Media and Sport (via the Life Chances Fund)	North East Lincolnshire Clinical Commissioning Group and the National Lottery Community Fund
Delivery partner	Fusion Housing, Foundation, Community Links, Horton Housing, Connect Housing, Home Group, The Peninne Domestic Abuse Partnership, Making Space, Richmond Fellowship	Centre4 is the main delivery partner and provides the link-worker roles. Centre4 works in partnership with a range of organisations, mostly from the voluntary sector, to deliver community support and social prescriptions.

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December 2020