Commissioning Better Outcomes Independent Evaluation

Synthesis Report. 2025

James Ronicle, Neil Stanworth & Beatriz Sasse

Contents

Summary of Commissioning Better Outcomes (CBO) Evaluation in one page

1 What CBO funded

- **£40m** co-funding for social outcome contracts.
- **62** development grants.
- Co-payment grants to **27** projects.
- Evaluation centred on 9 in-depth reviews of social outcome contract project 'families' comprising 15 projects.

2 What CBO achieved

46,337
service users engaged
Average 75% of plan

80,408
outcomes paid for
Average 83% of plan

£43.3m
paid for outcomes by all stakeholders
Average 90% of plan

£11.6m returned on **£11.3m** invested
Average Money Multiple 1.01
81% of plan

3 CBO value for money

"Stakeholders (and especially outcomes payers) have generally thought the social outcomes contracts good value for money compared to other forms of contracting."

4 CBO social outcomes contract design

Pros

- Blending hard and softer outcomes.
- 'Common-platform' structures enabled scaling.
- Simplifying social outcome contract designs.
- Derisking through blended investment.

Cons

- Payments on subjective outcome measures alone.
- Pushing risk down to providers.

- Overall, CBO projects were good, pioneering designs that have been replicated in other social outcomes contracts.
- Outcome structures were aligned to policy objectives with minimal evidence of perverse incentives – though the robustness of outcome measurement was low.
- Lessons to learn include controlling for optimism bias, clearly defining risk-sharing upfront, and keeping the payment structures and measurement approaches simple enough for everyone to understand.

5 Effects of social outcome contracts

Positive

- Improved data management.
- Better performance management.
- Greater service adaptation.
- Greater contract flexibility.
- Increased stakeholder alignment.
- More embedded outcomes culture.

Negative

- Stakeholder engagement issues.
- Business case optimism bias.
- Imperfect outcome measurement.
- Tension between stakeholders.
- Risk reallocated on contract renegotiation.
- Provider risk under-estimation.

"The most compelling benefit of using a social outcome contract is the opportunity for better performance management, allied to improved data analysis and management."

6 The design of CBO as an outcomes fund

- CBO has largely succeeded in its overall objective to grow the market in social outcome contracts, funding 27.
- CBO has been largely successful in achieving its specific objectives, but with wide variation and caveats.
- CBO has been an important catalyst for experimentation in social outcome contracts.
- There are arguments for any future fund to be designed differently, with more flexible application rules and only commissioners able to apply.

7 The legacy of CBO

For social outcomes contracts

- 5/9 CBO projects that featured as in-depth reviews were re-commissioned in some form, but only two as social outcome contracts.
- We think the mix of national/local funding and the use of a social outcome contract led to good levels of project sustainment.
- Many of the projects had wider legacies, influencing wider roll-out of services.
- CBO widened the pool of service providers able to work within the structure of a social outcome contract.

For the investor landscape

- Investment into social outcome contracts has coalesced around three investment fund managers.
- This has had upsides (better project management) and downsides (commissioner suspicion and the power of investment fund managers in social outcome contract relationships).
- There has been a broadening of the overall pool of investors.
- The future landscape is uncertain, and the lack of a pipeline of opportunities is a major obstacle to growth.

8 What does this mean for the future of social outcome contracts?

- **Through CBO and other programmes we have a better understanding that social outcome contracts are best suited to situations where:**
  - **commissioners want to achieve both flexibility and accountability.**
  - **outcomes are measurable and attributable.**
  - **there are limited resources to fund experimentation.**
- **Social outcome contracts development appears to be in a period of stasis, but we think this reflects capacity and budget constraints in local commissioning, rather than the efficacy of social outcome contracts.**
- **Social outcome contracts, while imperfect, have brought together central and local government funding with philanthropic and private capital in ways rarely seen.**

1.0 Introduction

This Synthesis Report is the final report of the evaluation of the Commissioning Better Outcomes (CBO) programme. The evaluation was undertaken by Ecorys and ATQ Consultants (ATQ).

CBO programme

CBO was funded by The National Lottery Community Fund. It operated from 2013 to 2024, with a mission to support the development of more social outcomes contracts in England. It made up to £40m available to pay for a proportion of outcomes payments for social outcome contracts commissioned locally (i.e. by local authorities, clinical commissioning groups, police and crime commissioners etc; hereafter referred to as 'commissioners'). It had four objectives:

- Improved skills and confidence of commissioners with regards to the development of social outcome contracts
- Increased early prevention is undertaken by delivery partners, including voluntary, community and social enterprise (VCSE) organisations, to address deep rooted social issues and help those most in need
- More delivery partners, including VCSE organisations, are able to access new forms of finance to reach more people
- Increased learning and an enhanced collective understanding of how to develop and deliver successful social outcome contracts.

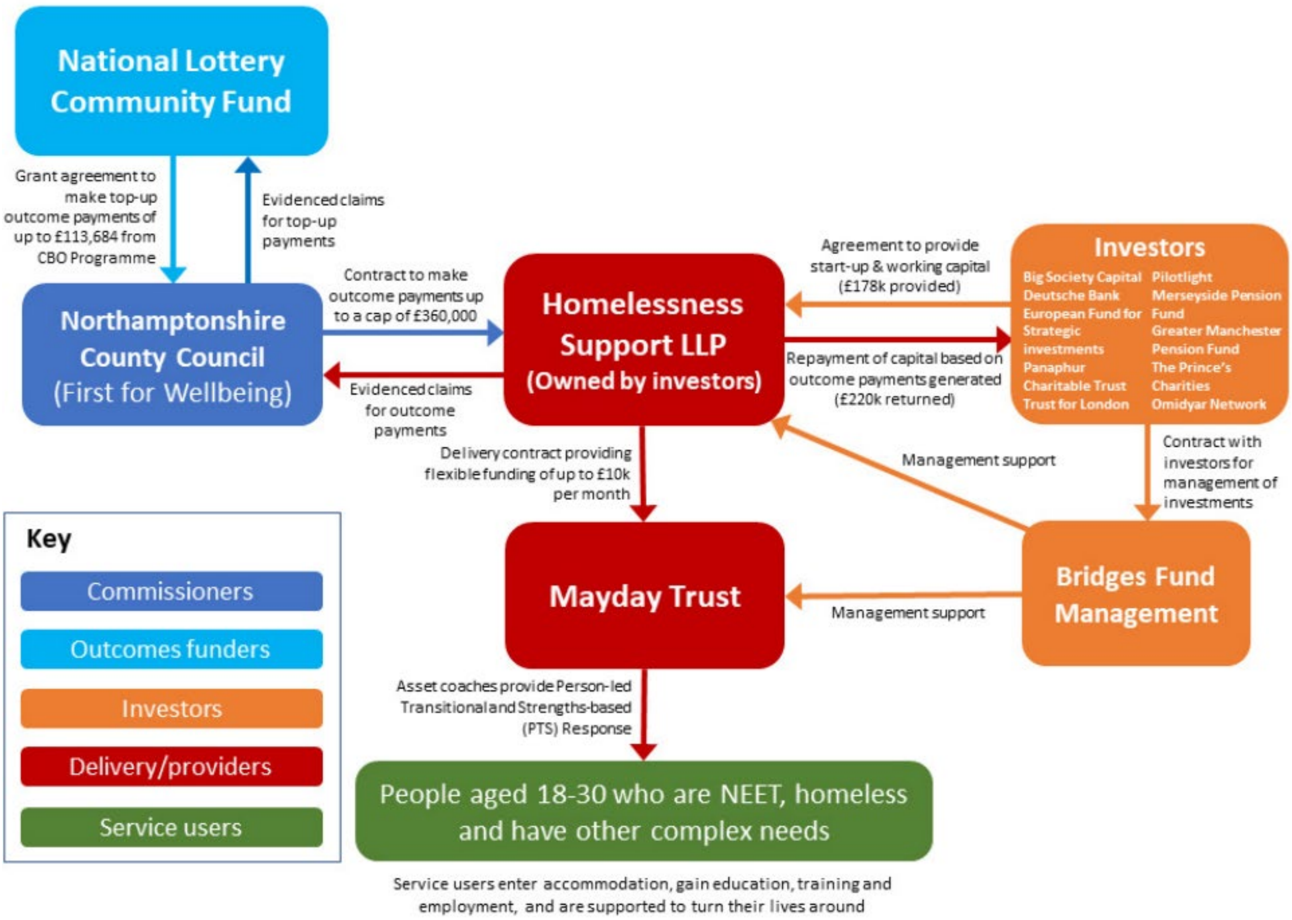
CBO made 23 grant awards, funding 27 social outcome contracts. These can be grouped into 15 'families' of similar projects. CBO also provided 62 development grants to support local commissioners in designing social outcome contracts. Annex A provides a full list of the projects, as well as further information on what constitutes a project and a family.

Social outcome contract and social impact bond definition

A social outcome contract involves a commissioner (usually one or more public sector bodies), which agrees to pay for results delivered by service providers, and unless those results are achieved, the commissioner does not pay. A social impact bond is a form of social outcome contract, which involves an external investor providing upfront working capital to the service provider(s), whose financial return is tied to the level of outcomes achieved. The investor is necessary because upfront capital is required to fund service delivery until revenue from outcome payments start coming in. However, there is no generally accepted definition of a social outcome contract or a social impact bond and their nature varies substantially. For more information, see: Impact bonds (ox.ac.uk).

Figure 1 below provides an example structure of a social outcomes contract. This is for illustrative purposes only; it must be stressed that social outcomes contract designs vary substantially.

Figure 1: Example social outcome contract structure: Be the Change CBO project



Source: CBO Be the Change in-depth review report. See: [Final in-depth review, produced as part of the independent Commissioning Better Outcomes evaluation - Be the Change Social Impact Bond]

Different terms were used by different stakeholders across CBO; generally the language evolved from referring to social impact bonds at the beginning of the programme to referring to social outcome contracts by the end. To aid readability we have used the term social outcome contract throughout.

An outcomes fund is a collection of social outcome contracts commissioned through the same funding programme.

CBO evaluation

The CBO evaluation took place from 2013 to 2025. It focused on three areas, to understand:

- Advantages and disadvantages of commissioning a service through a social outcome contract model; the overall added value of using a social outcome contract model; and how this varies in different contexts.
- Challenges in developing social outcome contracts and how these could be overcome.
- The extent to which CBO has met its aim of growing the social outcome contract market in order to enable more people, particularly those most in need, to lead fulfilling lives, in enriching places and as part of successful communities. It also explored what more The National Lottery Community Fund and other stakeholders could do to meet this aim.

The evaluation methodology is detailed in Annex E. In summary it involved:

- **In-depth reviews**: Tracking nine 'families' of projects from inception to completion. These involved up to three research waves – each research wave included stakeholder interviews (n=~12) and reviews of project documents and data. These are listed in Table 1 (including hyperlinks to the separate reports for each project).
- **Interviews with stakeholders from 15 projects that received CBO funding but did not launch**
- **Analysis of CBO Management Information provided by The National Lottery Community Fund**, including Project Monitoring and End of Grant Reports submitted by projects, and surveys of CBO applicants and intermediaries. The Management Information data includes data on outcomes, payments and investments, which we have summarised in this report and analysed further in Annex D. Data was provided for 24 of the 27 projects. This is data provided by projects to The National Lottery Community Fund, who verified the data and confirmed it was correct 5 March 2024. The evaluation team has reviewed the data for potential errors, but are not responsible for any inaccuracies in the data.
- **Three waves of stakeholder surveys** with commissioners, investors and service providers.
- Research into the **political economy of commissioning**, drawing on literature and primary research with commissioners
- **Three waves of stakeholder interviews with people** involved in social outcome contract policy **making, research and advisory support.**
- **Analysis of local project evaluations.**

- **Rapid Evidence Assessment** of independent evaluations and other key research on social outcome contracts in the UK outside CBO.
- **A series of learning events** including seminars with CBO-funded projects, investor breakfast meetings, presentations at multiple conferences and regional knowledge clubs with commissioners and service providers.

All outputs from the evaluation can be found at: Lessons from Social Investment | The National Lottery Community Fund (tnlcommunityfund.org.uk)

The main research activity was the nine in-depth reviews, and the evaluation findings primarily draw on these nine families of projects. Where possible we have reported on the impact and experiences across the CBO programme, but it is possible that there were other experiences and impacts outside of these nine families of projects that are not captured in the evaluation. We have used the acronym for the project names throughout the report (as detailed in Table 1).

Table 1. Projects featured as in-depth reviews

Name	Abbreviation in report
Be the Change	Be the Change
Elton John Aids Foundation Zero HIV	Zero HIV
End of Life Care Integrator Telemedicine Project: North West London	NWL EOLCI
HCT Travel Training	HCT
Mental Health Employment Partnership	MHEP
Pan-London Care Impact Partnership	PLCIP
Reconnections	Reconnections
Ways to Wellness	WtW
West London Zone	WLZ

Other relevant outcomes funds

The CBO programme was managed alongside the Cabinet Office's Social Outcomes Fund (SOF). SOF was set up by the Government at the same time that CBO was developed, to provide top-up funds to some social outcome contracts. Although SOF had different objectives to CBO, it had some synergies too, so a joint process for handling expressions of interest (EoI) was agreed. The first five social outcome contracts to come through the shared CBO/SOF process pipeline received a combination of SOF and CBO money (see Annex A).

The Life Chances Fund (LCF) was launched after CBO, in 2016. £80 million was committed by Government to provide contributions to outcome payments for social impact bonds (i.e. social outcome contracts with external social investment). Some of the projects in CBO were predecessors to similar projects part-funded by LCF (MHEP, WLZ). See: Social Outcomes Partnerships and the Life Chances Fund - GOV.UK (www.gov.uk)

About this report

This synthesis report provides a high-level overview of the CBO evaluation findings. It is aimed at readers who have some awareness of social outcome contracts. Readers with limited awareness of social outcome contracts are advised to read an introduction to social outcome contracts (e.g. Impact bonds (ox.ac.uk)). CBO was a complex and varied programme, both in terms of the project focus and design, and experiences with the social outcome contract instrument. This high-level overview cannot therefore do full justice to the variation and nuance across the projects. Readers looking to further understand the specifics of each project are advised to read the reports on each of the in-depth reviews. We have referenced the relevant in-depth review projects when making certain points throughout the report to aid the reader with this.

We have avoided defining too many terms with multiple footnotes. Instead, we have tried to include a simple definition in the main text. If readers are still unfamiliar with terms, they are advised to consult the GO Lab glossary (oc.ac.uk).

The remainder of this report is structured around the main evaluation research questions. It is divided into three sections:

- **Design:** Focusing on the effectiveness of the social outcome contract designs and the role of different stakeholders.
- **Impact:** Reporting on the outcomes achieved, the 'social outcome contract effect' (i.e. the difference made by contracting services through a social outcome contract), whether the social outcome contract instrument was Value for Money, the experiences of different stakeholders and the effectiveness of the CBO programme.
- **Legacy:** Including whether CBO supported the sustainability of social outcome contracts, and whether more commissioners, investors and service providers have become involved in social outcome contracts as a result of CBO.

The Annexes are available in a separate document.

2.0 Design

1. How were the social outcome contracts developed in terms of model, outcomes, metrics, and payments?

Key points:

- Stakeholders were motivated to launch social outcome contracts for a wide range of reasons
- Most social outcome contracts were not initially driven by the organisation commissioning the service. We think this affected commissioner engagement levels
- There was substantial innovation in CBO, and CBO led to social outcomes contracts being launched in a range of new policy areas
- Projects also innovated with the social outcome contract design, with a substantial shift away from the original 'textbook' concept. Overall we regard this innovation as positive, provided all stakeholders are aware of the decisions being made and the trade-offs

Stakeholders were motivated to launch social outcome contracts for a wide range of reasons. In many instances the availability of CBO funding (e.g. development grants and outcomes funding) and strategic interest in doing a social outcome contract (as an innovative contracting approach) catalysed commissioning organisations' initial foray into designing a social outcome contract. However, these motivations were not enough for developing a viable business case; key motivators for moving a social outcome contract project from 'concept' to 'development' included the ability to:

- shield service providers from any financial risks associated with not receiving revenue from outcome payments (this is achieved by investors providing the upfront working capital and only getting repaid if outcomes occur – thereby taking on 'financial risk');
- draw on the perceived benefits of having expertise from investors or investment fund managers;
- facilitate collaboration across public services;
- create a preventative service that would result in avoided costs or cashable savings – and in some instances put the money from the released savings back into funding the service, to enable the service to be run at a larger scale;
- commission innovative provision; and/or
- drive improved performance and increased accountability.

Most of the social outcome contracts were not *initially* driven by the organisation commissioning the service. They were led by service providers and intermediaries that then engaged commissioners later. In the nine in-depth review projects, over half (five) were led by providers; three were led by intermediaries and only one led by a commissioner. In general, since the social outcome contracts were led by these other organisations, commissioners were not fully engaged in the design process. As we go on to report, commissioner engagement was a struggle throughout CBO delivery across the in-depth review projects, and we think this is linked to the fact that they did not initially drive the project development in most cases.

The CBO programme was different to most other UK programmes supporting the growth of social outcome contracts, in that CBO allowed substantial flexibility in the social outcome contract design. Most UK programmes supporting social outcome contracts provide funding to local areas to deliver social outcome contract with set outcomes metrics in specific policy areas. In contrast, CBO allowed local areas to determine for themselves within which policy area they wanted to implement a social outcome contract, and how the intervention and social outcome contract was designed (provided different costs were within parameters set by The National Lottery Community Fund, to ensure value for money). The CBO was also the first outcomes fund to offer development grants to support often intensive and detailed design work.

As a consequence of this design flexibility and development grant support, there was substantial innovation in CBO, and CBO led to social outcome contracts being launched in new policy areas. 9 of the 15 CBO 'families' of projects were particularly innovative, in that they were launching social outcome contracts in policy areas where they had not been used previously, including social prescribing (WtW); end of life care (NWL EOLCI); HIV/AIDS prevention (Zero HIV); diabetes (Devon Lifestyle Intervention Programme); and home to school transport for children with special educational needs (HCT).

There were also innovations in social outcome contract design. Local areas experimented with: outcomes metrics (WtW was the first social outcome contract to attach payments to 'soft' (i.e. subjective) outcomes); social outcome contract structures (which enabled multiple local commissioners to join (MHEP, NWL EOLCI, HCT, PLCIP)); removing the role of intermediaries that often existed in social outcome contracts previously (HCT, Be the Change); risk-sharing (having different ways in which financial risk of losing revenue if outcomes and therefore outcome payments are not achieved was shared between commissioners, service providers and investors (MHEP, WLZ, HCT, Zero HIV, WtW)); and even who were outcomes payers and service providers (such as Zero HIV, where a foundation provided outcomes payments to shift delivery within the public sector – a complete reversal of the 'textbook' social outcome contract model which has the public sector funding the VCSE sector). In Section 4 we reflect on how effective these new social outcome contract design elements were.

The consequence of this innovation was that there was a general shift away from the 'textbook' design of social outcome contracts as they were first conceived. Based on previous social outcome contract analysis, we identified six 'dimensions' that make up a textbook social outcome contract design. In Figure 2 below we have mapped the CBO project designs against these six dimensions. This shows that some elements of the 'textbook' social outcome contract existed within the CBO projects, and for other dimensions the projects had moved away from the textbook design. They mainly attached payments to outcomes; involved VCSEs as service providers; and involved additional performance management. However, with the exception of one project (WtW), they did not include rigorous measurement to ascertain how many outcomes were attributable to the intervention. The 'invest-to-save' logic – the notion that the outcomes would lead to savings to the state that could then be used to pay for the outcome payments – was more hypothetical than actual, as the projects rarely generated cashable savings (though this logic was critical or important to launching five of the nine in-depth review projects). Finally, there was not full risk transfer to the investors – in half of the in-depth review projects financial risk was fully transferred to the investors, but in the other half, risk was shared between the investors and service providers, with service provider payments linked in some way to performance (either the achievement of engagements or outcomes) (we consider the implications of this throughout the report). The rationale for linking provider funding to performance is twofold: 1) to share the financial risk that would otherwise fall solely on the investor; and 2) ensure providers have 'skin in the game' and are incentivised to perform well. Further analysis can be found in Annex B.

Although we have not mapped other non-CBO projects against these dimensions, the description above broadly matches other social outcome contracts launched in the UK since the first social impact bond (Peterborough Prison (rand.org.uk)).

These developments were design choices, and other countries have designed social outcome contracts in different ways. For example, in the US, this shift away from the textbook social outcome contract in relation to outcome measurement and financial risk transfer is not present.[1] It is difficult to explain why there has been a difference – we think it is because rigorous outcome measurement is more commonplace in the US, and investors opted for different structures to share financial risk (with philanthropic organisations taking on the risk rather than service providers).

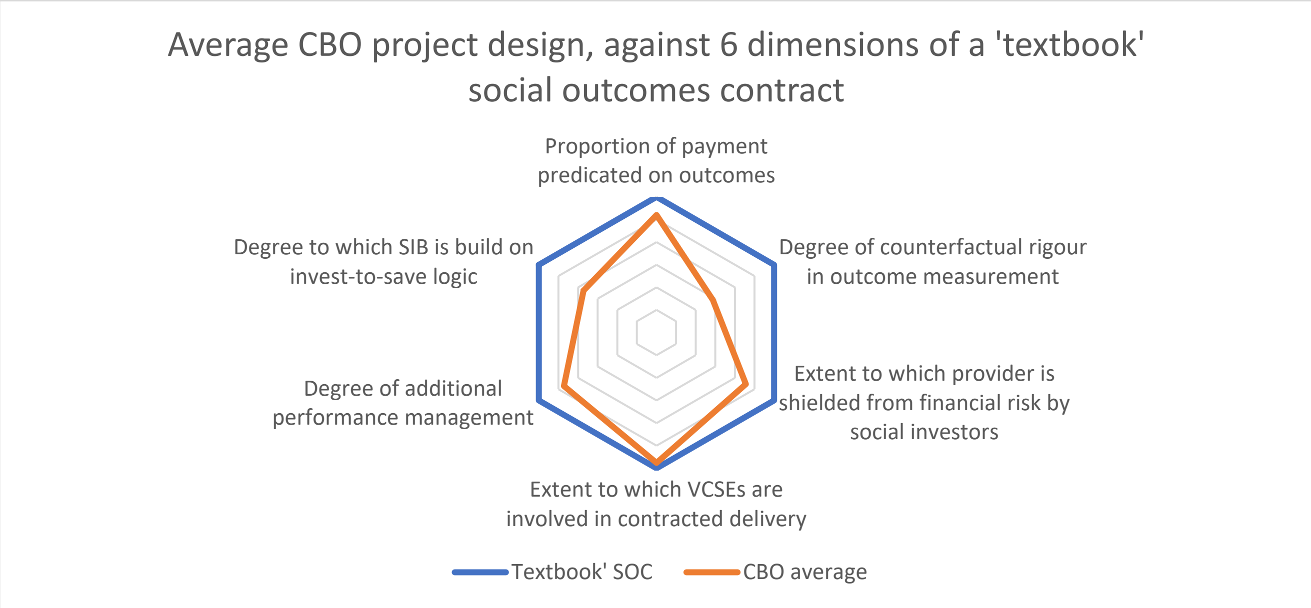
The CBO outcomes fund is, therefore, different from many other outcomes funds, in that social outcome contracts were developed at the local, rather than central, level. This led to many innovations, and overall a shift away from the 'textbook' social outcome contract concept. Overall, we see this as a positive development because areas were not forced to implement a centrally-designed instrument and instead had the flexibility to adapt the concept to suit local contexts and needs. However, it is important all stakeholders are fully involved in the social outcome contract design, and aware of the compromises being made, and the

[1] Economy, C. et al, 2023. Have we 'stretched' social impact bonds too far? An empirical analysis of SIB design and practice. *International Public Management Journal*, Volume 26, Number 3, 4 May 2023, pp. 413-436(24). Routledge. See: TF_Template_Word_Mac_2011 (ox.ac.uk)

consequences of them. We do not think this happened – commissioners were frequently not fully engaged in the design process, and when asked during this evaluation why certain design choices were made, they were often unable to explain them.

Low commissioner engagement is a theme throughout the CBO experience that affects every aspect of social outcome contracts – from their design to their implementation and to their sustainability -- and so it does question the viability of locally-led social outcome contracts within the current UK local government context of restricted budgets. This is a theme we return to in the conclusion.

Figure 2. Degree to which CBO projects align with the 'textbook' social outcome contract



Source: Ecorys & ATQ analysis for the in-depth review projects, based on data gathered during in-depth reviews and provided by The National Lottery Community Fund. The other projects had their dimension numbering produced by funding officers at The National Lottery Community Fund, following training provided by Ecorys and ATQ. The funding officer numbering was reviewed by Ecorys to ensure the analysis was being applied consistently. The average is for all CBO projects. The closer the shape is to the outer line, the more the project aligns with the original concept of a 'textbook' social outcome contract. For more information on the analysis see: CBO-3rd-update-report.pdf (tnlcommunityfund.org.uk). Annex B includes a breakdown of each CBO project against each dimension.

For more specific detail and guidance on designing social outcomes contracts, see: Technical guidance (oc.ac.uk)

2. How and when were investors engaged and was risk transfer appropriate?

Key points:

- In total, investors invested £11.3m across the CBO projects
- There was strong engagement from investors, and securing investment was rarely an issue for the projects in the CBO programme
- The organisations investing in the CBO projects were primarily socially-motivated.
- The majority of investment into CBO projects came via specialist Funds managed by investment fund managers. These investment fund managers played a substantial role in CBO and the wider social outcome contract landscape. Overall, their impact was positive, and without them it is hard to imagine CBO launching as many social outcome contracts. However, there were also downsides in terms of trust and power dynamics.
- The financial risk of losing money if outcome payments were not achieved was either fully absorbed by investors, or shared with service providers. Whether risk transfer was appropriate or not is difficult to say. Ultimately, many (though not all) investors and service providers wanted to share in the upside of the risk when they thought the project would go well, and did not want to share in the downside of the risk when it did not go well.

In total, investors invested £11.3m across the CBO projects – investing on average £540K per project. The smallest investment was £80k and the largest was £2.9m. It is interesting to note that across CBO investors originally committed to invest £16.8m, but actually only needed to invest two thirds of this. The main reasons why projects did not require as much investment as originally intended is because some were smaller than expected, some were cancelled part-way through, and some received earlier outcome payments than anticipated, which they could use to fund delivery, and so didn't need to rely on as much external investment to fund this.

There was strong engagement from investors, and securing investment was rarely an issue for the projects in the CBO programme. There was a ready supply of investment to invest in the projects, and attracting investment was not identified as a challenge in any of the in-depth review projects. Indeed, neither was it a challenge for the 20 CBO projects that we researched that were never launched – they faced a range of issues that halted their development (primarily related to limited buy-in from a range of stakeholders or challenges in developing metrics), but raising investment was not one of these issues.[2]

[2] Ronicle et al, 2017. The LOUD SIB Model: The four factors that determine whether a social impact bond is launched. See: https://golab.bsg.ox.ac.uk/knowledge-bank/resource-library/loud-sib-model-four-factors-determine-whether-social-impact-bond-launched/

The organisations investing in the CBO projects were primarily socially-motivated. Most of the investors were either charitable organisations or Corporate Social Responsibility vehicles set up by private companies. They were motivated to invest in social outcome contracts because they could blend social impact with financial returns. There were also some pension funds, who were similarly motivated but also interested in using social outcome contracts as a way to diversify their investments.

The majority of investment into CBO projects came via specialist Funds managed by investment fund managers. In the first set of social outcome contracts (such as the Peterborough Prison social impact bond), the investment was raised specifically for that project. In contrast, in the CBO programme, the vast majority of investment came from specialist funds such as the Social Impact Bond Fund (managed by Bridges Fund Management), the Care and Wellbeing Fund (managed by Social Finance) and the Social Enterprise Investment Fund (managed by Big Issue Invest (BII)). Through these and other later Funds (such as BII's Outcomes Investment Fund) investment fund managers collectively managed capital on behalf of other investors, and invested it on investors' behalf through a fund with a specific focus and defined investment criteria. This evolution is unsurprising, as investing via specialist regulated funds is a very common and usual way of investing in all sectors (e.g. property or private equity funds). These three investment fund manager invested in all but one of the in-depth review projects. It is interesting to note that the rise of investment fund manager to manage social outcome contract investments has only really occurred in the UK and does not exist to the same degree in other parts of the world where social outcome contracts are also prolific. This is probably because the social investment landscape was already well developed in the UK when CBO was launched compared to other countries, and because investment fund managers can only really raise funds when there is a strong pipeline of investable deals, which was apparent in the UK due to CBO and other programmes established to fund social outcome contracts.

These three investment fund managers played a substantial role in CBO and the wider social outcome contract landscape, and were more than simply providers of capital. They sometimes instigated social outcome contracts, often took a hands-on role in overseeing and managing the performance of service providers (either directly or by appointing other organisations to do this) and began to drive their development – a role they took on further in LCF.

Overall, the impact of investment fund managers was largely positive on CBO and the social outcome contract landscape, and without them it is hard to imagine CBO would have launched as many social outcome contracts. The largest benefit of the investment fund managers was that they made the application of investment easier and more efficient than launching investment for individual projects. This made it possible for them to invest in smaller projects. In 2013 we identified that one of the biggest barriers to launching social outcome contracts was that it was not cost effective for investors to invest less than £1m in an individual deal,[3] and yet the median amount investors committed to each deal in CBO was almost half of that, at £540k. In short, without the investment fund managers it is unlikely most of the CBO projects would have received investments.

The development of specialist project management teams also enabled investment fund managers to invest with greater knowledge and understanding of implementation issues. This has led to increased investment in staffing, for example, sometimes at a level higher than programmes themselves recommend, to ensure maximum delivery capacity at all times and thus improve outcome achievement. It has also led to a stronger focus on adaptation of interventions, taking advantage of the freedom offered by the social outcome contract structure and flexible funding from investors to change the intervention (Reconnections, NWL EOLCI) or tailor the intervention to individual needs (Be the Change). We view this as a positive as it indicates that investors have become more willing to take risks to support innovation and adaptation, rather than focus on already proven interventions which are perceived to have lower risk.

However, the strong presence of investment fund managers **also had its downsides. Firstly, they were treated with suspicion by some commissioners.** Commissioners sometimes perceived them to be similar to investors involved in private equity or Public Private Partnerships, where many commissioners had negative experiences (for example of private equity investment in foster care). They either did not see or were not aware of the socially-motivated investors present behind the investment fund managers. Whilst some commissioners' views changed, our research found this view still existed in 2023 amongst wider commissioners not involved in CBO.[4] Previous research has identified ideological concerns as a barrier to growing the number of social outcome contracts,[5] and we think the suspicion of investors added to these concerns, making some commissioners wary of becoming involved in social outcome contracts. The suspicion also affected how some stakeholders perceived investors during delivery.

Secondly, the investment fund managers were very powerful in the social outcome contract relationships. In every single in-depth review CBO project where the project was at risk of not reaching a Median-scenario number of outcomes – and the investment fund manager was at risk of losing their money – there was either an attempted or actual renegotiation of terms. These renegotiations resulted in outcome payers either paying more for fewer outcomes,

---

[3] Ronicle et al, 2014. *Social Impact Bonds: The State of Play.* The National Lottery Community Fund. See: [ECOTEC Report template (tnlcommunityfund.org.uk)]

[4] Smith et al, 2024. *The political economy of commissioning: commissioning for earlier and better outcomes*. See: [Political-Economy-Commissioning-earlier-better-outcomes.docx (live.com)]

[5] Wooldridge et al, 2019. *A study into the challenges and benefits of commissioning Social Impact Bonds in the UK, and the potential for replication and scaling: Final report.* DCMS. See: [ECOTEC Report (publishing.service.gov.uk)]

or paying upfront for assessments when they originally paid only for outcomes, and thereby minimising risk exposure to investors. Very often it was the investment fund manager either driving these renegotiations, or exerting pressure on the service provider to do it. Their argument was often that they were not responsible for the underperformance, which was due to factors outside their control: low levels of referrals (HCT), or service user needs being more complex than envisaged (Reconnections, MHEP). Whilst this may be correct, with the exception of one project (HCT), there was never a clear distinction upfront about what risk investors were and were not responsible for – they were ostensibly responsible for all risk, but it frequently shifted later. To some degree this undermines one of the core motivations for stakeholders launching social outcome contracts – to transfer financial risk to investors.

Due to their ultimate responsibility for social risk, commissioners were in a compromised negotiating stance, and frequently reassumed a portion of the financial risk that was originally shifted to investors. Commissioners would agree to the renegotiations because they ultimately wanted a service to support service users, and so agreed to changes in terms to keep the service running (e.g. MHEP). This emphasises that there are different types of risk in service delivery – financial (losing money), social (causing negative social impacts) and reputational (damaging reputations). Whilst commissioners were able to transfer some of the financial risk, they were still responsible for the 'social risk' – of adversely affecting service users when a service abruptly halts – and 'reputational risk' – of commissioning a high-risk service perceived to have 'failed'.

Thirdly, there have been few new entrants to the market of investment fund managers. Investor stakeholders surveyed attributed this mainly to the lack of a strong pipeline of opportunities which might tempt an organisation to raise a new fund, since there is already enough investment to meet existing demand. Stakeholders observed that individuals or organisations seeking a route to social investment and who have not invested in existing funds can also invest via the Schroder BSC Social Impact Trust, which is listed on the stock exchange and open to any interested investor.

Whether risk transfer was appropriate or not is difficult to say. As explained in the previous section, risk was either fully taken on by investors, or shared with service providers. It is hard to determine whether this was appropriate or not; in every instance where service providers took on more risk and the project underperformed, the service providers struggled and the general conclusion was they took on too much risk (MHEP, WtW). Yet when the project was successful, service providers would often conclude they did not need the investor and should have done it without them (though they felt the investor was needed at the beginning). In one CBO project, providers chose not to use social investment to shield them from financial risk and regretted it later, because they were exposed to greater cashflow challenges than they expected. Ultimately, many (though not all) investors and service providers want to share in the upside of the risk when they think the project will go well, and do not want to share in the downside of the risk when it does not go well.

Overall, the investors played a pivotal role in CBO. The notion of risk transfer is complex and still not fully understood by parties that enter into these arrangements. Organisations (both investors and service providers) think they are comfortable with taking on financial risk, until they are faced with it, when many conclude they are not and try to renegotiate. There needs to be much more clarity upfront about what risk is being transferred to whom, and what risk is not.

3. How were VCSEs and service users engaged?

Key points:

- 104 service providers received payments to deliver services within CBO projects
- CBO was successful in supporting its aim of enabling VCSEs to participate in social outcome contracts who would not have been able to otherwise due to the financial risk.
- VCSEs were centrally involved in, and indeed at times led, the design, development and delivery of the CBO social outcome contracts. This was overall a positive development, but led to issues related to procurement and commissioner engagement. We think it would have been better if government commissioners had played a stronger role alongside the voluntary sector.
- Service users were not necessarily engaged in designing the social outcome contract, but there is no evidence that this led to their marginalisation overall.

104 service providers received payments to deliver services within CBO projects. The vast majority of these were VCSEs. This is in line with the planned number of service providers.

CBO was successful in supporting its aim of enabling VCSEs to participate in social outcome contracts who would not have been able to otherwise due to the financial risk. In the majority of the CBO projects the service providers reported that they would not have been able to participate in the contracts if they had not been shielded from some of the financial risk by investors.

Service providers were generally engaged in two different ways across the CBO projects:

- They drove the project, developing the concept and design, engaging commissioners and delivering the intervention (HCT, WLZ, WtW, Be the Change)
- They were procured once the project was designed and prior to launch (WtW, Turning the Tide, Reconnections, Zero HIV, PLCIP, MHEP, NWL EOLCI).

Often the role of VCSEs in CBO went beyond just being service providers. They also acted as intermediaries (WLZ, WtW, Reconnections), **outcome payers** (Zero HIV) **and investors** (with VCSEs investing in investment funds, and acting as investment fund managers). Some commissioners commented how the social outcome contract created more of a partnership relationship between the commissioner and VCSE rather than a commissioner/service provider relationship during the project design (e.g. WtW). This is because the investment the VCSE could access through the social outcome contract gave them leverage and confidence, so they could be stronger in negotiations with the commissioner about how the intervention would look.

However, the strong role VCSEs played in leading social outcome contract designs in CBO also created issues. Firstly it created procurement issues. In some projects, commissioners were uncomfortable with the fact that external organisations were developing projects, and the consequences for fair procurement. One commissioner dropped out of a project because of this. This issue existed in other social outcome contract programmes where external organisations led the project development.[6] As we report later, a major factor inhibiting the future sustainment of social outcome contracts is the fact that they are resource-intensive and complex for commissioners. VCSE-led social outcome contracts potentially add to this complexity.

Secondly, we also think that the VCSE-led nature of CBO project development meant business cases were not fully scrutinised by commissioners. This led to optimism bias in the business cases, which had a negative impact on outcome achievement in the social outcome contracts. In the in-depth review projects that struggled to reach the level of engagements or outcomes they intended (e.g. WtW, HCT, Reconnections, MHEP), this was due in-part to the targets at the outset being overly optimistic. This was particularly the case in intermediary- or provider-led projects, where the benefits of the social outcome contract had to be 'sold' to a commissioner, and so there was an in-built incentive either to over-estimate potential results, and/or too readily agree to commissioner targets that proved unachievable. The risk of this was greater where projects were experimental and likely results were not well calibrated, but this should have made designers of social outcome contract more cautious, not less.

Service users were not necessarily engaged in designing the social outcome contract, but there is no evidence that this led to their marginalisation overall. Social outcome contracts have been criticised on the basis that service users are rarely involved in the design of the social outcome contract.[7] It is correct that across the CBO in-depth review projects, there was little evidence to show that service users were involved in designing the social outcome contract (as in, the outcome metrics, the pricing of the outcomes and the investment terms).

---

[6] Fraser et al, 2016. *Evaluation of the Social Impact Bond Trailblazers in Health and Social Care.* See: Evaluation of the Social Impact Bond Trailblazers in Health and Social Care, Final Report (ox.ac.uk)

[7] Warner, M., 2013. Private finance for public goods: social impact bonds. *Journal of Economic Policy Reform*, 16 (4): 303-319. See: Private finance for public goods: social impact bonds: Journal of Economic Policy Reform: Vol 16, No 4 (tandfonline.com)

However, in our view this is not what matters – what matters is that service users are centrally involved in shaping the intervention being delivered by service providers, and that the intervention is tailored to suit service user needs during delivery. Here, there is no evidence to suggest that delivery under the CBO social outcome contracts was any different to delivery under services commissioned outside of social outcome contracts. There were examples of service users being centrally involved in shaping the service, and limited evidence that services were restricted and did not meet service user needs. Indeed, in some projects the social outcome contract element provided more flexibility to suit service user needs than conventional contracts (Be the Change) (See Sections 6 and 9).

Overall, VCSEs were centrally involved in, and indeed at times led, the design, development and delivery of the CBO social outcome contracts. This is a positive development, as social outcome contracts were originally seen as a way of reframing Payment-by-Results away from the private-sector led approaches adopted in other programmes (like the Work Programme (pdf)) towards a more socially-focused approach, and that appears to have happened within CBO. However, as we conclude at the end, we think it would have been better if local government commissioners had played a more central role in the design and commissioning of the projects alongside the voluntary sector, but this was not possible with commissioners' limited capacity.

4. Were the social outcome contracts within the CBO projects designed well, and what lessons have we learnt in terms of good design of social outcome contracts?

Key points:

- The CBO social outcome contracts were overall good and pioneering designs that have been replicated in other programmes, though some innovations were more successful than others.
- Drawing on the GO Lab definition of what constitutes a well-designed outcome framework, CBO projects were well designed in two factors (alignment to policy objectives and avoidance of perverse incentives) but less well designed in the third factor (attribution).

The CBO programme was an experimental programme, and judging how well they were designed needs to be framed in this context. As the CBO social outcome contracts were implementing many contract designs in new policy areas, it is inevitable they would not have got everything right first time.

The CBO social outcome contracts were well-designed in some aspects, and less well-designed in others. In Annex C we summarise our analysis of the designs, drawing inspiration from the GO Lab definition of what constitutes a well-designed outcome framework.[8] This shows that, positively, there was a good alignment between what outcomes commissioners wanted to achieve, and what they were paying for. There was also very little evidence of perverse incentives (such as cherry picking, where organisations only support service users who are most likely to achieve the outcomes that have payments attached to them). However, overall, the social outcome contracts did not include rigorous outcome measurement to ascertain how many outcomes were attributable to the intervention.

Furthermore, the major substantial weakness in the designs was the optimism bias referred to in the previous section. This was primarily because stakeholders simply did not have good data with which to build the business cases, and so they were based on unreliable assumptions. However, with hindsight, rather than being cautious with estimates, these estimates were overly optimistic and over-stated the potential social impact of the projects.

There were also a number of innovative and successful design elements that were pioneered in CBO projects:

- **Blending hard outcomes with tools to capture softer outcomes:** WtW was the first social outcome contract to blend a hard outcome (costs in secondary care usage) with a self-reported tool to capture softer outcomes (wellbeing). This was seen as successful, as it captured robust outcomes, whilst also recognising it was just as important to focus and reward softer measures. This blended approach was replicated in many other CBO projects, and has been used in social outcome contracts beyond CBO (e.g. DfE Care Leavers social impact bonds[9]).
- **'Common-platform' structures that enable social outcome contracts to be commissioned at scale:** An oft-cited limitation of social outcome contracts is that they are relatively small, meaning the transaction costs to launching them can be high in proportion to their size.[10] The CBO projects provide the best examples of where this problem has been overcome – the MHEP and PLCIP projects both included a 'platform' structure that made it easy for new commissioners to come on board and allow the project to scale – PLCIP for example scaled from initially five London Boroughs to ten.

---

[8] FitzGerald et al, 2019. Walking the contractual tightrope: a transaction cost economics perspective on social impact bonds. *Public Money & Management,* Volume 39, Issue 7. Pg. 458-467. See: Walking the contractual tightrope: a transaction cost economics perspective on social impact bonds (ox.ac.uk)

[9] Davey et al, 2023. *Evaluation of the Care Leavers Social Impact Bond programme: Final evaluation report.* Department for Education. See: Evaluation of the Care Leavers Social Impact Bond (SIB) programme (publishing.service.gov.uk)

[10] Wooldridge et al, 2019. *A study into the challenges and benefits of commissioning Social Impact Bonds in the UK, and the potential for replication and scaling: Final report.* DCMS. See: ECOTEC Report (publishing.service.gov.uk)

- **Simplifying designs:** Our initial CBO evaluation reports highlighted how social outcome contracts can be complex.[11] Be the Change and HCT actively sought to reduce this complexity and introduce simpler designs. HCT, for example, included just one metric and did not involve an external intermediary managing the contract.

- **Blending different investors to de-risk investments:** WLZ and Zero HIV both adopted innovative investment structures, involving different investors with different risk appetites, with some providing 'first loss' capital – i.e. their investment is lost first, protecting other investors. This 'stacked' investment model expanded the number of organisations comfortable to invest in these risky projects (this approach had been adopted in other countries, but to the best of our knowledge it is quite rare in the UK outside of CBO).

There were, however, several innovative designs that were less successful:

- **Using only subjective measures for outcome payments:** Reconnections attached payments to a single metric – self-reported improvements in loneliness. Stakeholders concluded that using *just* a self-reported measurement tool was unreliable and did not capture the true impact of the service. It is better to balance the use of self-reported measures for outcome payments with a harder, objective, and more reliable measure.

- **Pushing risk down to providers:** In a small number of the CBO projects (notably MHEP, Zero HIV and WtW) service provider payments were linked either partly or wholly to engagements or outcomes. In MHEP the services did not hit projected outcome levels and the providers struggled significantly with cashflow issues. In WtW two of the original four service providers left the project because of this. Whilst this approach can work in some cases (and did with Zero HIV) it needs to be approached with caution and the risk sharing needs to be clear to everyone involved.

- **Creating overly-complex structures:** Some of the in-depth review projects – most notably MHEP and to a lesser extent NWL EOLC – created overly-complex structures in order to meet the requirements of local commissioners and the rules set out in SOF and CBO – for example including fixed as well as outcome based payments, and different payment structures for each commissioner. Most stakeholders – including the intermediaries managing the projects – struggled to fully understand these, and overall it raises questions over whether there was effective governance and accountability within the projects.

---

[11] Ronicle et al, 2014. *Social Impact Bonds: The State of Play.* The National Lottery Community Fund. See: ECOTEC Report template (tnlcommunityfund.org.uk)

The experience of CBO projects has also highlighted a number of lessons learnt in designing social outcome contracts:

- **Many social outcome contracts that are initiated do not launch.** 80% of areas that received CBO development grants did not then launch a social outcome contract (50 out of 62 areas that received development grants did not progress). The fact that the main stakeholders in a number of areas concluded that a social outcome contract was not feasible and did not continue to develop them should not necessarily be viewed negatively, as the aim of the development grants was to test the feasibility of a social outcome contract in a local area. Moreover, some social outcome contracts were fully developed and did not progress due to other factors, such as political decisions or procurement issues, and in a number of cases the feasibility work led to the development of new services, which were commissioned through more traditional means. In at least two cases development work on social outcome contracts that did not proceed was successfully reused on other social outcome contracts that did launch within the CBO programme. However, those managing future similar outcomes funds do need to be ready for high levels of attrition, and might want to over-commit their budgets for outcomes payments, knowing that many prospective projects probably won't occur (see Section 8 for more information). Our analysis identified four factors that seem to determine whether a social outcome contract is launched, creating the LOUD model: collective Leadership, clear Outcomes, shared Understanding and Data.[12]
- **Be wary of optimism bias:** This is the main and most crucial lesson from CBO for other designers of social outcome contracts. This is more important than conventional contracts because the payment-by-results (PbR) element of social outcome contracts (i.e. that people only get paid when outcomes are achieved) mean there are financial consequences if projects miss targets. Arguably social outcome contracts should require systemic pessimism bias (within reason), since in an social outcome contract there can be major consequences for providers (and investors) if unachievable targets are constantly missed .
- **It is important to involve all stakeholders early on during conversations,** both internal to commissioning organisations (e.g. procurement and legal teams) and external (e.g. investors, service providers, frontline staff). There is additional risk of stakeholders being brought in too late when design is led by providers or intermediaries.
- **Launching social outcome contracts requires senior buy-in and support:** They are still innovative and require organisations to do things differently. This requires people who

[12] Ronicle et al, 2017. The LOUD SIB Model: The four factors that determine whether a social impact bond is launched. See: loud_sib_model.pdf (ox.ac.uk)

are willing to commit to the endeavour, think imaginatively and be comfortable with taking risks and trying new things.

- **It is important to clearly define what type of risks and responsibilities different organisations are taking on:** Many of the disagreements seen during the CBO project implementation stemmed from assumptions with regards to which organisations were responsible for different aspects of delivery – and accountable when things go wrong – and who takes on what risks (e.g. as occurred in HCT, Reconnections, WtW). It is important this is clearly discussed upfront during the design stage, and people are entering into agreements with their eyes wide open.
- **It is important to strike the balance between rigour and simplicity:** As we mention above, a number of the CBO projects attempted to create 'perfect' models or outcomes metrics to cater for multiple stakeholder needs. However, this resulted in overly-complex structures or payment mechanisms that very few people understood. In one instance this led to errors that had large financial consequences. It is important that the model remains simple enough for everyone to understand, especially when the original designers move on.

Overall, the CBO social outcome contracts were good and pioneering designs that have been replicated in other programmes, such as LCF. They mainly functioned well, with outcome structures aligned to policy objectives with minimal evidence of them driving perverse incentives – though the robustness with which outcomes were measured was low. There are some strong lessons to learn, primarily related to ensuring good levels of commissioner engagement early on, being aware of and controlling for optimism bias, clearly defining risk-sharing upfront, and keeping the model simple enough for everyone to understand.

3.0 Impact

5. Did the social outcome contracts deliver the outcomes and financial benefits expected?

Key points:

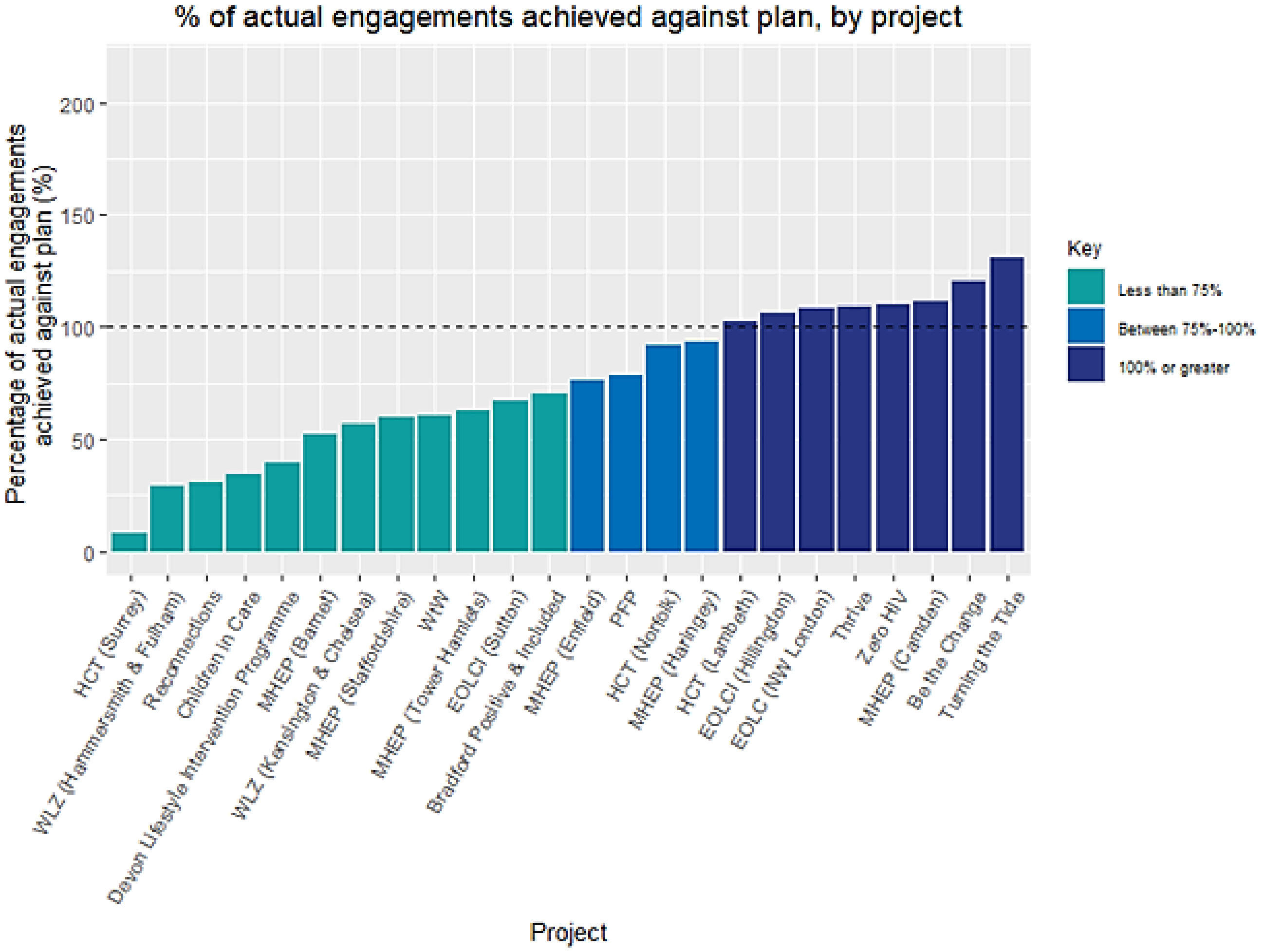
- Compared to their planned performance at 'Median' scenario (an imperfect measure which was set by the projects themselves) almost two-thirds of the CBO social outcome contracts performed well, achieving 75% of forecast outcomes or better.
- Across all contracts, service user engagement averaged 75% of Median plan, the mean outcome performance was 83%, outcome payments averaged 90% of plan, and £11.6m was returned on £11.3m invested, a money multiple of 1.01 and 81% of plan

We have compared the achievement of all CBO projects for which we had data (24 in total) to what they planned to achieve, as set out in the plan at what the CBO termed 'Median' scenario. Each project that applied to the CBO for co-funding set out a Median, High and Low plan for referrals, engagements, outcomes and investor returns, with the Median plan showing the most likely results (similar to the base case in a feasibility study or cost benefit analysis). Further and more detailed analysis is in Annex D.

This is not a perfect basis of comparison and not a truly objective measure of performance, because projects set their own plans and some were more challenging than others. In addition, projects chose their own outcome metrics and sometimes referral criteria, which varied widely in both scope (e.g. the use of hard and/or soft outcomes) and rigour of measurement (see sections 1 and 4). It also emerged during the in-depth reviews that a number of projects were testing what might be possible, and by definition had weak evidence on which to base their plan targets (MHEP, HCT, Reconnections, NWL EOLCI). Some providers and intermediaries were also not aware of plans agreed with CBO (PLCIP, Be the Change) and/or were working to different internal targets. It is probable (though we cannot be certain) that the same applies to other projects not reviewed in-depth under the evaluation. With all this in mind, it is difficult to judge what 'success' means. Here we have broadly judged a project to have done well if it was within 25% of its original plan or in a small number of cases, a revised plan agreed with CBO. We acknowledge that 25% is a self-selected and somewhat arbitrary measure, and other readers may have their own interpretations of success.

Figure 3 shows how successful the projects were in *engaging service users in the intervention*. **Exactly half of the projects (n=12) exceeded their Median plan for engagement (n=8) or were within 75% of the plan (n=4).** The range was substantial between and sometimes within families of projects, with HCT (Surrey) engaging 8% of the planned number of service users, and Turning the Tide engaging 131%.

Figure 3. Percentage of actual engagements achieved against Median plan, by project

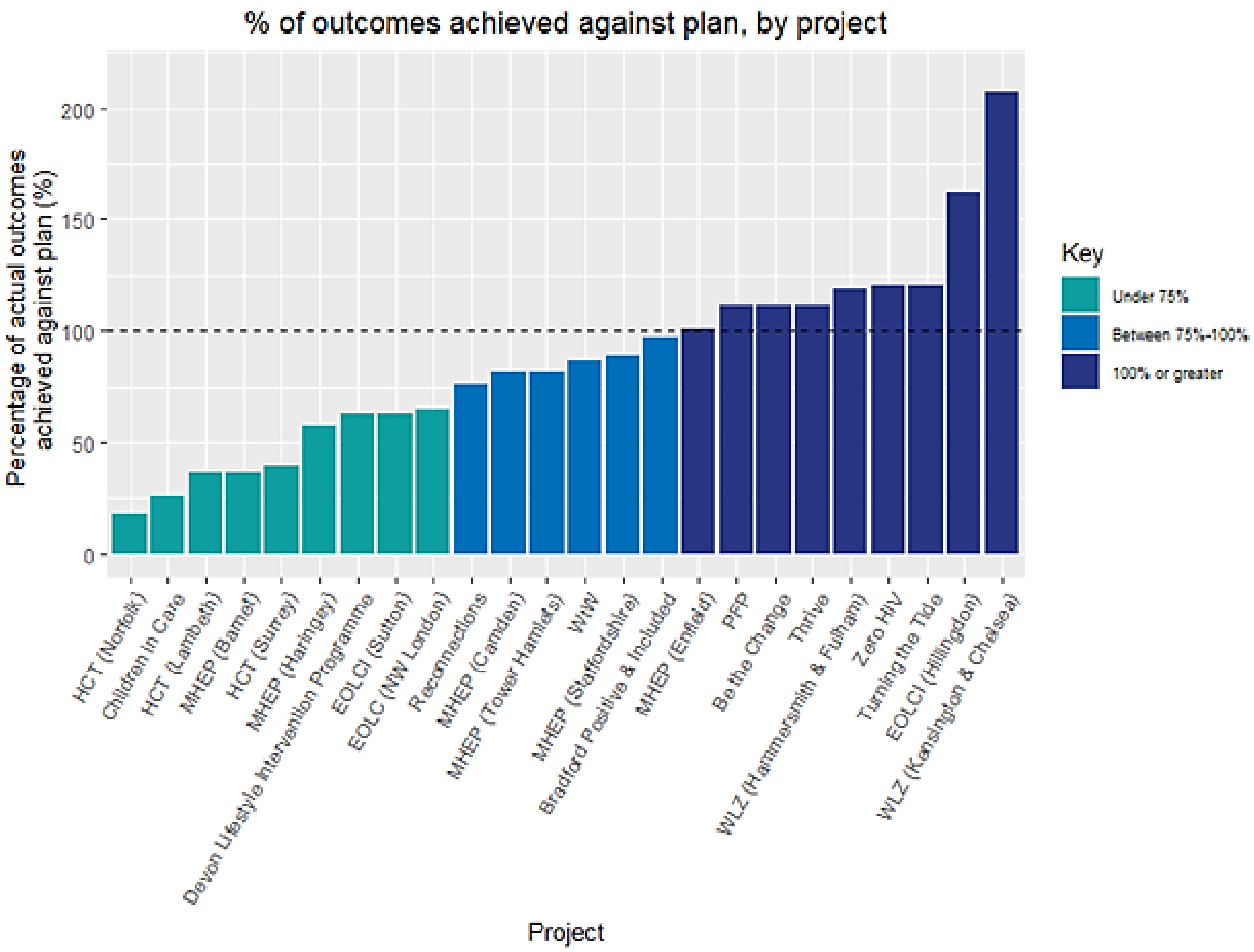


Source: Ecorys chart, based on project MI provided by the projects to The National Lottery Community Fund.

Figure 4 shows how successful the projects were in achieving outcomes that had payments attached to them. To mitigate the impact of projects using different outcome metrics and some having more paid outcomes than others, we took the mean achievement across all paid outcomes within each project. We first calculated how each outcome compared to plan (expressed as a percentage) and then calculated the mean across all outcomes. This approach enabled us to reflect all paid outcomes used, but avoids the analysis being skewed by over or under-performance on a specific outcome. Annex D explains in technical terms how we undertook the analysis.

As Figure 4 shows, almost two thirds (15 of the 24) of projects achieved 75% or better of planned performance, with one third (9) achieving less than 75% of planned outcome performance. Three of the projects (Be the Change, EOLC Hillingdon and EOLC NW London) are likely to have performed better than shown here because we excluded outcomes above a cap on paid outcomes (i.e. an agreed limit – or cap - on the maximum number of outcomes a commissioners would pay for, above which they would not pay for outcomes even if achieved). We excluded these because the treatment of outcomes above a payment cap was not consistent across projects. Outcome achievement, like engagements, varied significantly, from HCT (Norfolk) achieving 18% of its intended outcomes to WLZ (Kensington & Chelsea) achieving 207%.

Figure 4. Outcome achievement against plan, by project, based on mean achievement across all paid outcomes within each project



Source: Ecorys chart, based on project MI provided by the projects to The National Lottery Community Fund.

There was minimal difference in outcome achievement across different policy areas. This suggests that there are not particular policy areas where social outcome contracts are better suited – they can work (or not) across multiple policy areas.

Figure 5 highlights how the CBO projects performed on average against four indicators that we think are the main elements to consider when reviewing a, as they cover 'success' for all stakeholders: beneficiaries (reach in terms of engagement, and outcomes); commissioners (outcome payments) and investors (returns)**.** This shows:

- **Projects achieved 74.9% of the planned engagement level, and 83.2% of planned outcomes.** This is as might be expected, with outcomes broadly shadowing engagements and being harder to achieve if engagement targets are missed. Some projects performed better on engagement than in achieving outcomes, while in some others the opposite was true. The reason for this are various – for example inappropriate referrals sometimes led to high engagement that could not be translated into outcomes, while projects which allowed for multiple outcomes for a single user over time (because measuring sustainment) could achieve high outcomes despite undershooting engagement targets.

- **In total £43.3m was made in outcome payments.** Total outcome payments were higher than outcome performance as a percentage of plan, at 89.9% compared to 83.2%. While we should expect outcome payments to track outcome performance closely, it is not surprising that outcome payments are higher than outcomes because some projects that missed the planned targets early in the contract sought to renegotiate outcome payments (especially co-payments from the CBO) to agree a higher payment per outcome and ensure that committed funds were spent. CBO paid for 24% of the outcome payments (£10.1m). SOF paid for 4% (£1.7m) and local commissioners paid for 72% (£31.1m) (see Table 2).

- **Returns to investors were slightly above break even overall.** As reported previously, in total investors invested £11.3M across the 24 projects. The majority (15 out of 24) of these made a small return - on average £96k, totalling £1.4m. Whilst fewer projects made a loss (9 out of 24), the average loss was £226k, meaning the total loss was £1.1m. Taking both the returns (£1.4m) and losses (1.1m) together creates a total positive return of £317k on a £11.3m investment. The mean Money Multiple for the projects was 1.01 – so for every pound they invested they received their pound back plus a penny extra (Figure 6).

- **We caution that the calculation of money multiple (or any other return metric) is complicated by the impact of fees and other charges by intermediaries, the different financial structures of projects, and the transparency of data available.** Our understanding is that returns are net of intermediary fees and charges but please refer to individual in-depth reviews for details of the calculations, which vary widely by project.

- **There was also wide variation in returns, as shown in Figure 6 below.** This demonstrates the limitation of social outcome contracts as an investment instrument - that the returns are often capped, but the losses can be 100%, meaning a small number of losses can cancel out a larger number of returns. That said, as we note later in Sections 9 and 11, most investors were happy with returns though they would originally have expected a better than break-even performance.

Figure 5. Average performance of CBO projects against key indicators

61,903 service users engaged

Average 73.5% of plan

80,408 outcomes paid for

Mean 83.2% of plan

£43.3 m paid for outcomes

Average 89.9% of plan

£11.6 m returned on £11.3 m invested

Mean Money Multiple 1.01

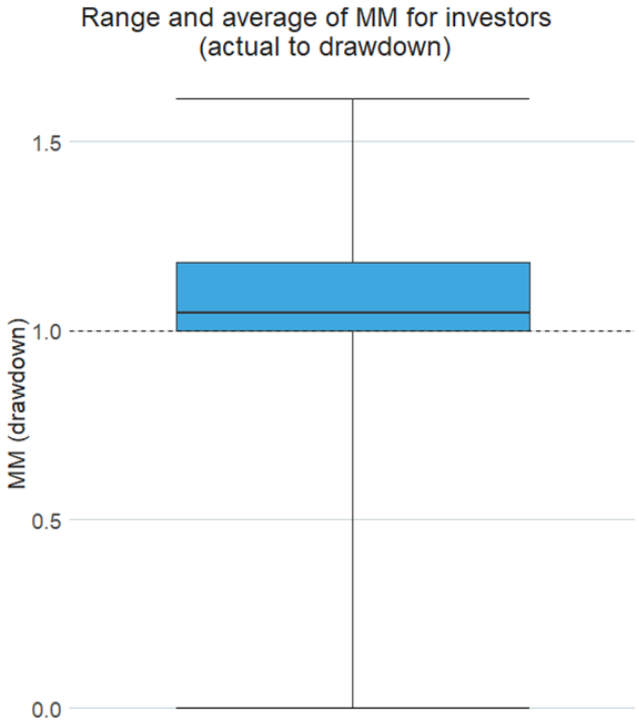
81% of plan

Table 2. Outcome payment breakdown

Funding provided by:	Planned	Actual
CBO	£11,204,671	£10,593,294
SOF	£2,377,738	£1,682,707
Local commissioners	£35,141,437	£31,053,705
Total	**£48,723,846**	**£43,329,706**

Based on qualitative data from the in-depth reviews, the wide variation in outcome achievement is not unexpected and might be seen as a positive in some cases. Several projects were explicitly or implicitly using the social outcome contract mechanism and funding to innovate and test new interventions at low risk to commissioners; projects were thus inherently riskier and/or it was more challenging to forecast outcome achievement levels accurately. Had the projects all overperformed, there would be questions around whether the plan targets were too cautious, and whether there was enough risk that needed transferring to investors.

Figure 6. Range and average Money Multiple for investors



Source: Ecorys chart, based on management information provided by the projects to The National Lottery Community Fund. This is a 'box and whisker' diagram. The horizontal line in the middle shows the mean. The blue box around the line shows the 'middle 50%' – i.e. the returns 25% either side of the mean. The vertical line shows the full range. This is based on actual investments drawn down for each project.

There were, however, other reasons for underachieving against the Median plan that could have been anticipated and had wider spillover effects. As reported previously, among the projects we reviewed in-depth, the most common reason for not achieving outcome targets was over-optimistic forecasting of referrals or engagements (Reconnections, WtW, MHEP) or referrals that were not appropriate for the intervention (HCT). This led inevitably to a shortfall in outcomes. Other reasons included the needs of service users being higher than expected, and implementation challenges including weak operational management and poor commissioner engagement (which affected commitment to make referrals) in some or all contracts (Reconnections, MHEP, HCT).

Overall, CBO projects have achieved well against plan, and better at final outturn than appeared likely when we reported mid-point progress in our third update report in June 2022. This is likely because they took time to reach full capacity, improved performance through adaptation during delivery, or took steps to accelerate referrals close to project end.

6. What impact, positive or negative, has the social outcome contract mechanism had on service delivery and outcomes? Did it lead to wider spillover effects?

Key points:

- The use of a social outcomes contract had both positive and negative effects, with the strongest positive being better performance management, allied to improved data analysis and management –whether or not performance management was provided internally or bought in from a third party.
- The most observed negative was stakeholder engagement issues, followed by optimism bias in business cases
- The project achieved some, but not all of their use cases, and achieved some only in part.

Table 3. Positive and negative effects of using a social outcome contract across the nine in-depth review projects

SOC effect/Project	BtC	Zero HIV	NWL EOLCI	HCT	MHEP	PLCIP	Recon	WLZ	WtW	Average
Positives										
Improved data management	Strong	Strong	Strong	Weak	Strong	Strong	Strong	Strong	Strong	Strong
Better performance management	Strong	Strong	Weak	Weak	Medium	Strong	Strong	Strong	Weak	Medium
Greater service adaptation	Strong	Weak	Weak	Weak	Weak	Weak	Strong	Medium	Weak	Medium
Greater contract flexibility	Little or no	Weak	Weak	Medium	Weak	Weak	Strong	Medium	Weak	Weak
Improved stakeholder alignment	Weak	Strong	Strong	Little or no	Weak	Weak	Little or no	Weak	Weak	Weak
Embedding outcomes culture	Strong	Little or no	Little or no	Little or no	Strong	Little or no	Weak	Strong	Little or no	Weak
Negatives										
Stakeholder engagement issues	Strong	Strong	Weak	Strong	Weak	Strong	Weak	Weak	Weak	Medium
Optimism bias in business case	Little or no	Weak	Weak	Medium	Strong	Little or no	Strong	Little or no	Strong	Weak
Imperfect measurement of impact	Medium	Weak	Weak	Little or no	Weak	Weak	Medium	Weak	Weak	Weak
Tension between stakeholders	Little or no	Little or no	Little or no	Strong	Medium	Little or no	Weak	Weak	Strong	Weak
Risk reallocation on renegotiation	Little or no	Little or no	Weak	Weak	Strong	Little or no	Weak	Weak	Weak	Weak
Provider risk under-estimation	Little or no	Little or no	Little or no	Weak	Medium	Little or no	Medium	Little or no	Medium	Weak

Key: Strong evidence ● Medium evidence ◕ Weak evidence ◖ Little or no evidence ○

Colour denotes Positive (Green) or Negative (Red)

The nine projects subject to in-depth review showed both positive and negative impacts of 'the Social Outcome Contract Effect'. Table 3 above summarises the main effects – i.e. how the project design, delivery and impact was affected by being commissioned through a social outcome contract. The effects are shown in order, with the effect observed most often and strongly listed first. More information is provided in Annex F.

The most compelling benefit of using a social outcome contract is the opportunity for better performance management, allied to improved data analysis and management. The benefits come partly from additional resource focused on these tasks (usually from an intermediary or investment fund managers, as in Reconnections, MHEP, Zero HIV, PLCIP and NWL EOLCI) but also from performance teams taking action to improve or replace operational management where needed and if data is showing results falling short (WtW, Reconnections, MHEP, NWL EOLCI). It also comes from adaptation of the intervention to achieve better or more outcomes (Reconnections, Be the Change, PLCIP). In the box to the right we provide further detail on what good performance management meant across the in-depth review projects.

What do we mean by good performance management in SOCs (based on the in-depth reviews)?

- One or more people with appropriate experience and expertise who are dedicated to the task, in addition to service managers.
- Close collaboration with service managers and front-line-line staff to address issues.
- Regular scrutiny of data on inputs, outputs and outcomes to identify areas of concern.
- Constructive challenge of under-performance where evident.
- Comparison with other projects where useful and insightful.
- Acting immediately or very quickly to address issues.
- Consideration of any and all changes where needed including management change, service adaptation, and contract renegotiation.

Performance management needs to be dedicated to the task, but can be provided either internally (as in Zero HIV) or bought in from a third party (as in NWL EOLCI). The qualitative evidence from the in-depth reviews and the quantitative analysis of data both suggest that both models are equally effective – it is the dedication of appropriate, additional resource with the right expertise that matters.

Such performance management allied to data analysis and service adaptation ultimately appears to improve impact. It drives up referrals and engagements (leading to more outcomes) and improves focus on the achievement of the quantity of outcomes – although it does not necessarily improve the quality of the intervention. This benefit is well defined in a blog by Avnish Gungadurdoss of Instiglio for the Brookings Institute:

"While impact bonds and RBF may sound complicated or exotic, they are about deploying simple, sensible, and performance-critical delivery management practices: Clarify, articulate, and incentivize target outcomes; provide necessary autonomy to front-line staff; measure progress; reward good performance; and repeat these steps."

Some impacts are closely related, while some positives had negative spillover effects. Improved data management is a strong contributor to performance management, while also having other effects, such as better outcomes reporting (Be the Change, WLZ, Zero HIV, NWL EOLCI). However, better and more intense scrutiny of performance sometimes led to tension, especially between intermediaries/investors and providers (WtW, Reconnections, MHEP). The positive ability to renegotiate contracts more easily sometimes led to risk being allocated back to commissioners who had been promised 100% payment only on outcomes, but were later asked to pay for engagements to reduce cashflow pressure (MHEP, HCT).

The projects achieved some of the use cases that they identified at design stage, but not all, and only achieved some of them in part. We identified five key use cases for social outcome contracts, as reported by the projects during the in-depth reviews, in addition to capitalising on funding from the CBO. The projects at conclusion map against these use cases as summarised in Figure 7 and analysed in more detail in Annex G. Not all use cases apply to all projects (for example, projects with a single provider did not aim to broaden capacity for VCSEs to be involved in social outcome contracts). As expected based on the effects described above, the strongest use case for using a social outcome contract is to improve delivery performance and accountability, and expanding the range of organisations able to be involved in them. A notable shortfall is that some projects did not broaden the evidence base as intended because of questions about the rigour of outcome measurement (as outlined previously). Also of note is the failure of some projects to achieve the level of savings or avoided costs expected, or for there to be uncertainty about whether the level of savings expected had been achieved.

Overall we conclude that social outcome contracts have had more positive effects than negative ones, and some of the downsides are inevitable consequences of upsides – notably more active performance management sometimes creates tension. There is no disadvantage that is as widely apparent as the benefit of improved performance management, but where it occurs, optimism bias has the most deleterious effect – since it means that the project is underperforming against an unachievable target from day 1. The most widespread negatives were stakeholder churn and challenging (re)engagement (which might have occurred in conventional contracts, but with less impact because the learning curve is steeper in social outcome contracts); and weak measurement, but this was not a major concern for many commissioners and was a concern only for others in hindsight.

Figure 7. To what extent did the nine projects subject to in-depth review achieve their use cases?

Use case/Project	BtC	Zero HIV	NWL EOLCI	HCT	MHEP	PLCIP	Recon	WLZ	WtW	Average
Improve the evidence base for the intervention	Largely achieved	Largely achieved	Not achieved	Not a use case for this project	Partly achieved	Partly achieved	Partly achieved	Partly achieved	Largely achieved	Partly achieved
Fund preventative intervention with later savings	Not a use case for this project	Not a use case for this project	Partly achieved	Not achieved	Partly achieved	Partly achieved	Not a use case for this project	Not a use case for this project	Largely achieved	Partly achieved
Share risk of implementing an untested intervention	Partly achieved	Not a use case for this project	Partly achieved	Partly achieved	Partly achieved	Largely achieved	Partly achieved	Largely achieved	Largely achieved	Partly achieved
Expand range of organisations able to get involved in SOCs	Largely achieved	Largely achieved	Partly achieved	Not a use case for this project	Partly achieved	Not a use case for this project	Not a use case for this project	Largely achieved	Not a use case for this project	Largely achieved
Improve delivery performance and accountability	Not a use case for this project	Partly achieved	Not a use case for this project	Not a use case for this project	Partly achieved	Largely achieved	Partly achieved	Not a use case for this project	Partly achieved	Partly achieved

Key: Largely achieved (green circle) Partly achieved (amber circle) Not achieved (red circle) Not a use case for this project (grey square)

7. Was the social outcome contract mechanism good value for money?

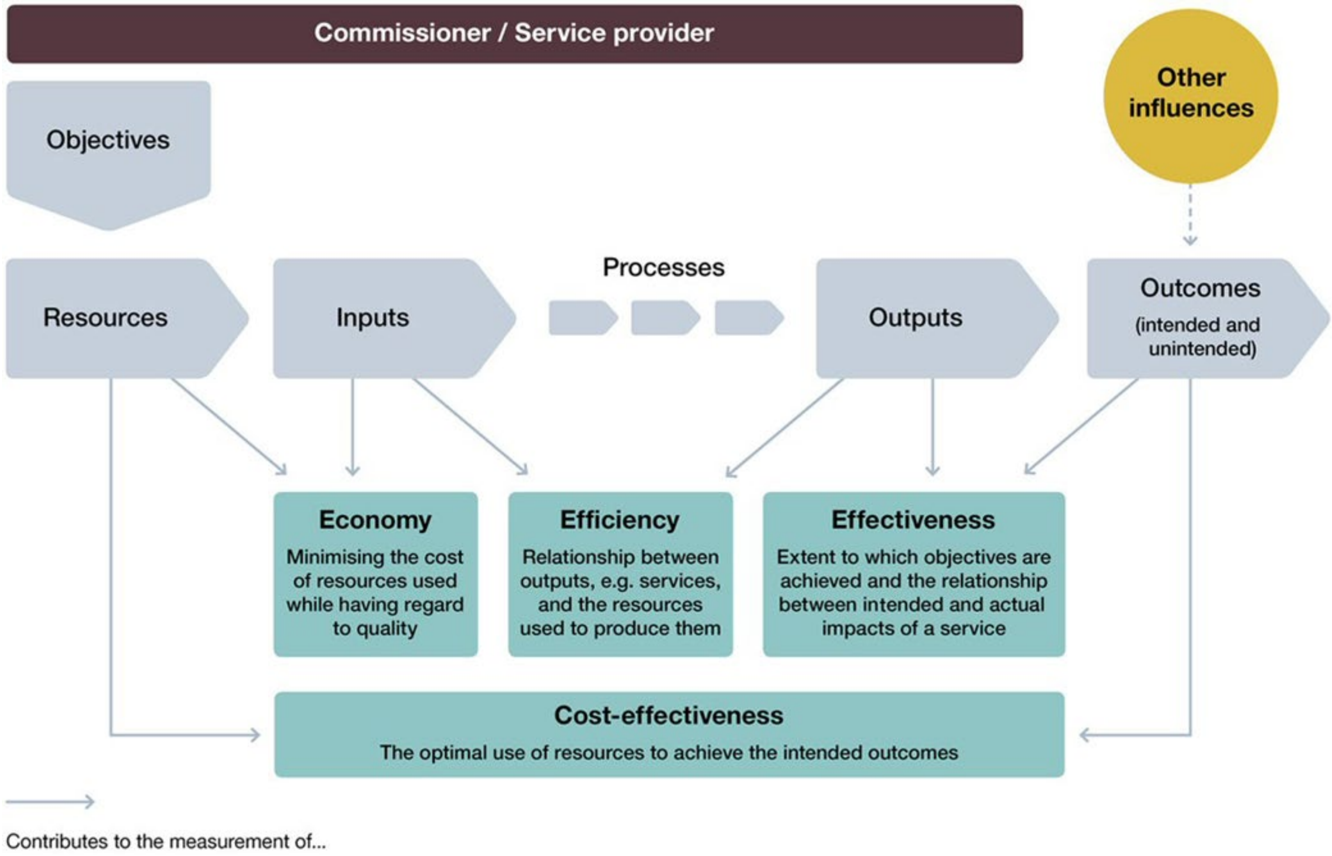
Key points:

- Although expensive and time-consuming to develop, we found that on the whole the projects were good value for money, largely because the commissioners paid only for outcomes achieved rather than paying for the whole service regardless of outcomes.
- The CBO funding and support was important to this assessment. If it had not been available, it could be argued that more outcomes payers might have questioned the value for money of the additional costs of managing the contracts compared to conventional contracts
- The project achieved some, but not all of their use cases, and achieved some only in part

In our final in-depth reviews we have assessed every project for value for money (VFM), combining the views of stakeholders with our own independent assessment. We have done this by applying the National Audit Office's value for money framework, which is part of its Successful Commissioning Toolkit and considers Economy, Efficiency and Effectiveness, supported by Equity where appropriate, to assess overall Cost-effectiveness – see Figure 8.[13]

[13] See https://www.nao.org.uk/successful-commissioning/general-principles/value-for-money/assessing-value-for-money/

Figure 8. National Audit Office Value for Money Framework



Source: National Audit Office commissioning toolkit – see https://www.nao.org.uk/successful-commissioning/general-principles/value-for-money/assessing-value-for-money/

It is important to note that these are relative and complex assessments: No project was judged poor value for money by its stakeholders. In addition, most stakeholders surveyed for our third update report thought their project had been value for money (9 out of 13 answering Yes, with 1 No and 3 Don't Know).

Overall findings are outlined below. Please refer to individual in-depth reviews for the detailed assessment of specific projects.

ECONOMY is not a prime driver in outcomes contracts, because Economy should not jeopardise quality, and it can make sense to spend more money to achieve the maximum number of outcomes. Even so, most of the projects took steps to keep costs as low as possible without jeopardising outcomes – for example through open competition for service provision. There was, however, wide variation in the additional costs of managing a social outcome contract, with higher costs not always equating to better outcomes. On average, contract costs (including managing the specific social outcome contract element and investor return) accounted for 18% of project budgets, with the remaining 82% spent on delivery (though this figure needs to be treated with caution – there were not clear definitions over what constituted a specific social outcome contract cost, and this was interpreted differently by different projects).

In addition, there was limited competition for the services of performance managers, which tended to be provided direct by the investment fund manager (PLCIP) or come as part of a package with the intermediary (Reconnections, MHEP, NWL EOLCI), and where the performance manager was selected, this tended to be without competition. There was also limited or no competition when project development was led by providers – who then became the service delivery partner (Be the Change, HCT) - so we cannot be certain that another provider could not have delivered the same or better outcomes at a lower cost.

Some CBO projects were also expensive to develop, though we think this was in general justified by the fact that they were innovative designs and had little previous experience on which to draw. For example WtW received both the maximum development grant (£150k) and a further substantial grant from the Social Enterprise Investment Fund. The average CBO development grant award overall, including for projects that did not proceed, was £88,190, which was significantly more per project than LCF projects received, partly because LCF projects benefited from learning on CBO projects, and partly because CBO development grants were in general thought to have been more generous than necessary.

Commissioners also found that social outcome contracts took more time and expense to develop and implement than conventional contracts. Compared to more conventional contracts commissioners had to spend more time designing the project (even though they were less engaged than intermediaries and providers), procuring the project, and managing the contract (e.g. Reconnections, MHEP).

EFFICIENCY was variable across the projects The primary measure of efficiency that was relevant to the projects was referral and engagement as a proportion of plan (since undershooting referral and engagement targets will directly affect potential outcomes, and increase costs per successful engagement)

As reported previously, there was mixed success in achieving planned engagements. The projects were sometimes not as efficient as they could have been, therefore, in converting referrals into successful engagements – though sometimes this was due to factors outside the projects' control.

EFFECTIVENESS is the key metric for social outcome contracts because they are - by definition - focused on outcome achievement. The projects were generally effective (even where engagement was lower than forecast) in achieving outcomes for those engaged. Even projects that significantly underachieved against optimistic and uncertain targets (such as HCT and Reconnections) were thought to have achieved outcomes as good or better than equivalent conventional projects. Some projects (e.g. WLZ and EOLCI Hillingdon) significantly exceeded their Median plan for outcomes. As noted earlier, however, stakeholders in some projects had doubts about attribution to the intervention funded by the project (NWL EOLC, PLCIP, Zero HIV, Be the Change) and therefore we cannot be certain about the net impact achieved.

EQUITY was considered in both its usual sense (fair and inclusive treatment of service users) and in the wider sense of fair treatment of all parties to contracts, notably providers. On the former, we saw no evidence across the projects of inequity in the selection and support of service users, although this was sometimes due to absence of evidence on which to make an assessment. There was also some limited evidence (for example from Zero HIV) that projects had achieved strongly on the Equity dimension.

In general projects were equitable in their treatment of providers as sub-contractors, but there was evidence of an imbalanced relationship between investors and intermediaries, and providers on some projects. While few providers indicated that they had been treated unfairly, some did suggest that they had misunderstood the challenges of being held to account for aspects of performance (e.g. referrals achieved) and had found the experience uncomfortable.

In terms of overall COST-EFFECTIVENESS, the projects were largely viewed as good VFM by stakeholders and to have demonstrated good or reasonable cost-effectiveness because the outcomes payment mechanism meant that the commissioner paid only for outcomes achieved rather than paying for the whole service regardless of outcomes. This was despite some projects being less effective than planned (in achieving target outcomes) or less efficient than expected (in achieving the levels of referral and engagement that they had targeted).

"If we didn't think it was good, we wouldn't buy it. We do have to make choices, there is something else that we don't get to do if we do this, so this is something that's worth investing in really if those children are doing well." (Commissioner, WLZ)

The views of stakeholders surveyed for our third update report (as noted above) support this.

"As a commissioner who only pays for outcomes and then is able to calculate avoided costs and cashable savings it does appear to have been value for money from our perspective. We have had staff on-costs but these have been absorbed within current roles and even though it took a lot of time from a range of key officers, we saw the value of sharing expertise and learning through the process to improve outcomes for our families." (Commissioner, responding to 2020 survey)

Our overall conclusion is that stakeholders (and especially outcomes payers) have generally thought the projects good value for money compared to other forms of contracting. We agree, although it is important to factor the benefit of the CBO funding into this assessment. Had CBO funding and support not been available, it could be argued that more outcomes payers might have questioned the value for money of the additional costs of managing the contract.

8. Was the CBO programme an effective model for scaling social outcome contracts, and what lessons can be learnt for future outcomes funds?

Key points:

- The CBO's key objective was to grow the market in social outcome contracts, It succeeded in this, funding 30 projects, but could have been even more successful because there was a significant programme underspend.
- The CBO has also been largely successful in achieving its four specific objectives. It was most successful in increasing learning and understanding of the contract and funding mechanism, and least successful in improving the skills and confidence of commissioners.
- The project achieved some, but not all of their use cases, and achieved some only in part

The CBO Fund has largely succeeded in its overall objective to grow the market in social outcome contracts. It funded 30 projects; one of which (PLCIP) has engaged multiple stakeholders and three of which (HCT, MHEP, NWL EOLCI) are part of wider groups or "families" of contracts. Both MHEP and the EOLCI (which initiated NWL EOLCI) have been the foundation of multiple further contracts, funded by both CBO and the LCF.

However, there was a significant underspend on CBO, so arguably it could have supported the growth of social outcome contracts further. The National Lottery Community Fund committed up to £40m to support growth, but spent only £17m (£5.5m on development grants, £10.6m on outcomes and £0.9m on the evaluation) – less than half of the available budget. We think the underspend is for three reasons: the large attrition between development grants and launched projects; contracts being smaller than anticipated; and projects not achieving as many outcomes as intended. None of these things could have been anticipated in advance, though The National Lottery Community Fund could have run a second funding round once it was clear fewer projects had launched than anticipated (though we do not underestimate the challenges of launching a second round).

The CBO has also been largely successful in achieving its four specific objectives, as summarised in Table 4 below. This reflects the assessment against the four objectives that we have made of all of the projects in the final reviews.

The projects have overall been most successful in achieving increased learning and understanding, and least successful in improving the skills and confidence of commissioners. This is chiefly because commissioning staff have moved to new roles (in which only some were able to apply the knowledge learned), and there has been limited spread of skills and knowledge within organisations. In addition, a high proportion (eight of the nine projects) were initiated and driven by providers or intermediaries, leading in some cases to low engagement of commissioners and poor sustainment at local level (MHEP, HCT, Be the Change, WLZ, Zero HIV).

Table 4. Assessment of the in-depth review projects against the CBO objectives.

Project/CBO Objective	Improved skills and confidence of commissioners in the development of social outcome contracts	Increased early prevention by service providers, (including VCSEs) to address social issues	More service providers, (including VCSEs) can access new forms of finance	Increased learning and enhanced collective understanding of how to develop and deliver successful social outcome contracts
Be the Change	◐	◕	●	◐
Zero HIV	◐	●	◕	●
NWL EOLCI	◐	◐	◕	●
HCT	◐	◐	◐	◕
MHEP	◐	◐	◕	◐
PLCIP	●	●	◐	●
Reconnections	◐	●	●	●
WLZ	◐	●	●	●
WtW	◐	●	◐	●
Average	◐	◕	◕	◕

Key for Table 4:

Achieved: ● **Largely achieved:** ◕ **Partly achieved:** ◐ **Not achieved or not applicable:** ○

Against the other objectives the overall picture is positive, but with reservations. Notably, the projects have largely enabled service providers to access social investment (without which they are likely not to have been able to take the risk of contracting for outcomes, because of the effect on cashflow). However, there has not been a significant broadening of the pool of VCSEs taking this path; in several cases (Be the Change, HCT, WtW, PLCIP, NWL EOLCI) projects have had a single or very few providers, and some have been public health sector bodies.

The CBO has been an important catalyst for experimentation in social outcome contracts. Stakeholders in all the in-depth review projects identified the criticality of the CBO funding in persuading them to commit to a social outcome contract, to a varying extent from CBO being essential to an important influencer. Respondents to our investors' survey observed that *"It's incredible what CBO achieved. We wouldn't be here without them."* This is partly about the funding defraying the additional cost and complexity of SOCs – in which the availability of development grants to support advice and design also played a key role. The CBO also funded a support contract (provided by Social Finance) which our second update report identified as playing a key role in engaging commissioners and other stakeholders, and increasing awareness. It is also about the Cabinet Office (through SOF) and The National Lottery Community Fund 'brands' giving kudos to project development. The downside of this is that there have been very few social outcome contracts developed locally without support from either CBO or LCF, as noted in the Legacy section below.

The CBO also provided important learning for successor funds. Stakeholders managing and funding the LCF noted the important role that CBO had played in helping them improve the LCF, and tailor it to government and stakeholder needs. For example, development grants were scaled back under LCF, from learning that more development grant than needed had been awarded to some CBO projects.

There are questions about whether a similar fund, if introduced in future, should be designed differently. Both investor and commissioner stakeholders expressed frustration about the bureaucratic nature of both CBO and SOF, and their imposition of (different) rules about what could and could not be funded, what information was required to submit a successful application, and inconsistent decisions on projects that were awarded support. In some instances, (e.g. MHEP) the different requirements between CBO and SOF led to over-complicated and confusing contract and funding structures. Stakeholders thought that the failure of many projects to reach implementation could have been mitigated if more projects had been awarded in-principle grant, thus allowing for likely attrition between in principle and final grant award, and development support could have been continued post final grant award, most importantly to maintain commissioner engagement. Overall there was a view that CBO and SOF might have been more successful in encouraging innovation and different approaches to outcomes commissioning if they had been less prescriptive, especially when social outcome contracts were in development.

Furthermore, CBO faced significant challenges in gathering accurate Management Information from projects, including outcomes data. It is paradoxical that the outcomes-based structure increased the projects' focus on outcomes, and yet there seemed to be discrepancies in how this was reported back to The National Lottery Community Fund, to the extent that at the end of multiple projects there were disagreements over the final management information. This is likely in-part because The National Lottery Community Fund was a minority outcome funder in the projects, and so did not have direct full oversight or control over how the projects were progressing, or the information projects were required to provide. However, we also think there was an under-estimation in the complexity of the data, especially with multiple contract renegotiations and variations. We think it would have been easier to collect project MI if a full data structure had been put in place, including a centralised database that everyone could access, clear definitions, and a data analyst overseeing data collection – a process broadly in place in LCF.

Should local funds be available only to local commissioners? The in-depth reviews suggest that commissioners sometimes engaged poorly because they were not leading the projects, and had less 'skin in the game' than if they had themselves initiated and driven SOC development. The CBO team did much to encourage, and demand evidence of, commissioner engagement, but could not prevent commissioners committing to projects with minimum consequence if they later withdrew. A future Fund might be designed to address this, and could, for example, be restricted solely to commissioner-led projects or contingent on match funding from commissioners to partly pay for the project design. This might be facilitated if the application process was more flexibly designed as suggested above, since much of the attraction to commissioners of 'provider-led' projects was in them not having to commit resources to complicated development processes.

9. What were stakeholders' experiences of being involved in CBO projects?

Key points:

- On the whole, stakeholders had positive experiences of being involved in social outcome contracts, though their experience was mostly influenced by whether the projects were successful or not.
- The stakeholder group for whom the trade-offs between pros and cons was most marginal was the commissioners, which we think has significant implications for the future of locally-commissioned social outcome contracts.

Unsurprisingly, there is a general correlation between stakeholder experiences and project success. In projects that were a success, stakeholders had more positive experiences, with the converse in less successful projects. Below we summarise the experiences of different stakeholder groups.

Commissioners

As mentioned previously, overall, projects struggled to fully engage commissioners. They were often only partially engaged in the design process, and some projects significantly struggled to engage commissioners during delivery, especially when the first stakeholders that launched the project moved on (e.g. WLZ, Be the Change). This appears mainly due to capacity constraints within commissioning organisations, and frequent churn of lead commissioners.

The commissioners that did engage with the projects recognised and liked the benefits brought about by the social outcome contract. They thought the social outcome contract was instrumental in launching a project that could not otherwise have been funded (e.g. PLCIP); they valued the real-time data it provided (e.g. WtW); and liked the balance between flexibility and accountability (e.g. Be the Change). Some began the project sceptical of the mechanism and role of investors, but over time saw their value (e.g. WtW). This is echoed in the LCF evaluation, where goal alignment between commissioners and investors increased over time.[14]

"I guess that it can actually work. When I first read about it, I thought it was a really complicated concept and I didn't really grasp it, but now I can see how it can work in practice and that it creates some really good results, for local authority, providers and most of all, service users." (Commissioner, PLCIP)

""WtW has been one of the highlights of my 9 years of the CCG. It's been enlightening." (Commissioner, WtW)

However, commissioners were not always fully convinced about the impact of the interventions, due to the lack of robustness in the data. Some commissioners questioned whether the projects really generated the savings they purported to (PLCIP), and whether the outcomes reported could be attributed to the interventions within the projects (Zero HIV, Be the Change). As we reported earlier in this report, the rigour of the outcome measurement was low, and this seems to have negatively impacted on commissioner perceptions of the value of the interventions (though in some projects, commissioners did not raise this as a concern during the design of the social outcome contract, when it could have been more easily addressed, e.g. WLZ, Zero HIV).

"Every result has been counted and we don't have a baseline or a comparison group. I know there is a lot more testing than would have happened otherwise, but I couldn't stand in front of a clinician (who will pull it apart to the nth degree) or my Director of Finance and state with certainty that the [social impact bond] made all the difference." (Stakeholder, Zero HIV)

The social outcome contract also generated substantial additional work for the commissioners, and they struggled to meet this demand with their limited capacity. This additional work was throughout the project process.

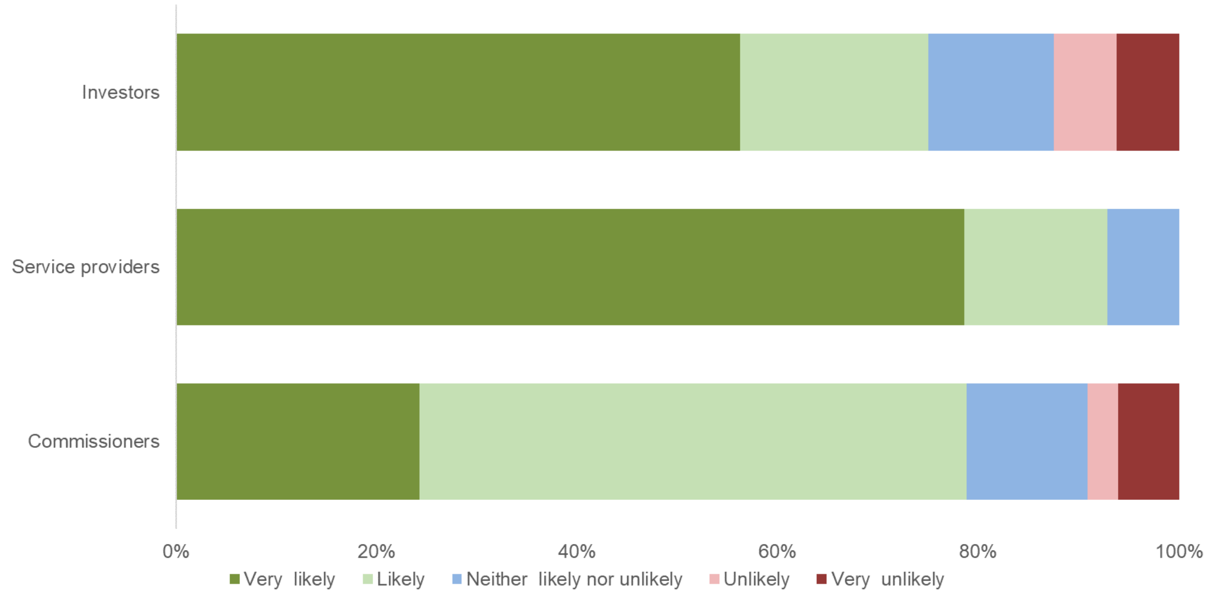
For most commissioners, the trade-off between the pros and cons was marginal, but was tipped by the additional funding available from CBO. Most said they would likely do another social outcome contract, with four fifths of commissioners responding to our 2017 survey saying they were likely or very likely to become involved in a future social outcome

---

[14] See: [Life Chances Fund intermediate evaluation: data release - GOV.UK (www.gov.uk)]

contract (n=41) (Figure 9) (there were similar results in our 2020 survey, but with a lower number of respondents). However, we think the evidence suggests there are questions over whether they would do so without additional funding – as we explain further in the Conclusion.

Figure 9. Likelihood of being involved in a social outcome contract again based on current experience



Source: CBO investor, service provider and commissioner survey, 2017. Base = respondents involved in social outcome contracts (commissioner = 41, service providers = 21, investors 18). 5 point Likert scale (1, 'Very unlikely'; 5, 'Very likely'). Not shown in chart: Four respondents answered 'don't know' (three commissioners and one investor). 12 respondents did not answer the question (five commissioners and seven service providers.)

Service providers

Not all service provider staff were fully aware of the social outcome contract: The level of awareness among service providers of the social outcome contract depended on how the social outcome contract was structured, and their role within the organisation. Typically, in the social outcome contracts where the investor was directly investing into service providers, people in the service provider organisation were likely to be more aware of the social outcome contract and the role of the investors than in projects where there was a SPV and/or intermediary managing the investment. Across nearly all projects, managers were more likely to be aware of the social outcome contract than front-line staff, because the former needed to understand the commercial implications, while the latter were often deliberately shielded from the detail and encouraged to focus on delivery, as on any other contract.

On the whole, service providers were positive about the social outcome contract. Those that were more aware of the social outcome contract were broadly positive of its impact. Attaching payments to outcomes increased the scrutiny on outcomes and they felt it 'raised their game' (Be the Change, MHEP, Reconnections). They also thought that, compared to more restrictive conventional contracts, paying for outcomes rather than activities (supported by flexible capital from investors) enabled them to be flexible in how they delivered services and allowed them to tailor support to individual needs (Be the Change, Reconnections, Zero HIV). Those that were aware that payments were attached to results were broadly fine with it (WtW, Zero HIV, PLCIP). In both our 2017 and 2020 surveys of service providers, the vast majority said they would be involved in another social outcome contract (Figure 9).

"I liked the [social impact bond] because it was helping us make sure that the end user is the most important aspect." (Service provider, Reconnections)

"…the most significant learning from this really tough and at times fraught experience was that a truly person led way of working cannot be delivered within traditional contracting." (Service provider, Be the Change)

However, not all service providers held this view, especially when the project was not succeeding, and especially amongst service providers that were bearing financial risk. When the project was not succeeding, providers were broadly less positive (though some still were). At times they felt the investment fund managers / performance managers were overly demanding, or the service provider was stuck in the middle between the demands of commissioners and investor representatives. The service providers that were more exposed to risk struggled – some withdrew from the contract (WtW, Reconnections), others remained but *"breathed a sigh of relief"* when the contract ended (MHEP).

""I think that having the contractual arrangement that we do (service provider-Investor + Investor-Commissioner) has allowed for the development of a negative set of relationships. Our investor has allowed innovation to drive results but the commissioner has not always been on board and we the provider get stuck in the middle. Our contractual arrangement with our investor has allowed a PIP [Performance Improvement Plan] (even during Covid) that has resulted in withholding of our overheads (which are a true cost). This has put our finances at risk and is at an unacceptable level given the challenges we have faced. In reality we have taken a higher risk than expected." (Service provider responding to 2020 survey)

Front-line practitioners had more mixed views of the social outcome contract. Most practitioners were not aware of the social outcome contract itself but were aware that payments were tied to outcomes and the subsequent higher scrutiny on outcomes. Most practitioners had views on this but stressed it *"wasn't the be all and end all"* within their overall views of the service. For some it took them time to become comfortable with the additional outcome scrutiny, and the organisation had to work to embed the approach and ensure it did not feel like fault-finding (Be the Change). Others felt that there was a misalignment between where the most effective work took place, and what was financially rewarded within the social outcome contract (WtW). Because the social outcome contract made outcome performance so apparent to practitioners, it is perhaps no surprise that frontline workers saw it as a motivational factor when things were going well, but that it lowered morale and led to higher staff turnover when things were not going well (MHEP). This disparity in views between service provider senior and frontline staff on social outcome contracts is not uncommon, and there have been similar findings elsewhere.[15]

"The payment by result nature was a motivational factor, particularly among frontline delivery. The need to evidence outcomes so thoroughly improved processes around ongoing client follow up." (Service provider responding to 2020 survey)

"I don't think it's an ideal contract structure for it, for the nature of the work that we do…There is that kind of tension I think between the payment by results and actually how it is on the ground, if you like, in terms of some of those particular service users." (Practitioner from service provider, WtW)

"We are aware of it but it's not the be-all-and-end-all…No one is saying, 'You must do this or we won't get paid'." (Practitioner from service provider, WtW)

Investors

As we explore in more detail in section 11, despite the fact that investors made only a very small return across the CBO projects, investors were on the whole satisfied with their involvement in CBO.

The main reason investors were satisfied was because they were primarily socially motivated, and they were pleased with the social benefits generated from their investments. Even investors that made a loss on projects felt (on the whole) that the social benefits outweighed their financial losses (e.g. Reconnections). Some investors perceived the loans as more akin to repayable grants, and so were comfortable with small losses.

"For us, even though the investment has not been paid back fully, it doesn't mean it's not been a success, it doesn't detract from the fact that it's had a big social impact." (Investor, Reconnections)

Some investors were also pleased with their investments because they valued the social outcome contract itself, in the way it supported commissioners and providers by supporting flexible delivery and increasing a focus on results. This included those that had lost money.

"In a way, as the one of the first investors in a [social impact bond], it's been really good that [our organisation] has been involved, to test a model of innovation, a new model of contracting and financial mechanism. It helps with credibility and learning about what works." (Investor, Reconnections)

---

[15] Ronicle & Smith, 2020. *Youth Engagement Fund Evaluation.* DCMSDCMS. See: [ECOTEC Report template (publishing.service.gov.uk)]

Service users

The service users we interviewed were completely unaware of the social outcome contract. They were, however, overwhelmingly positive of the services and support they were receiving. In some circumstances (Be the Change, Zero HIV) there was a clear link between the benefits the social outcome contract enabled and the benefits valued by service users, largely because the social outcome contracts enabled more tailored service delivery, but it was not always possible to identify this link.

On the whole, stakeholders had positive experiences of being involved in social outcome contracts, though their experience was mostly influenced by whether the projects were successful or not. Stakeholders found that the social outcome contract led to additional demands, and at times created tensions between stakeholders, but they also recognised and valued the benefits it created. The stakeholder group for whom the trade-offs between pros and cons was most marginal was the commissioners, which we think has significant implications for the future of locally-commissioned social outcome contracts, as we cover in the next section.

4.0 Legacy

10. Are there more social outcome contracts across more services? Have more local commissioners engaged with social outcome contracts?

Key points:

- The degree to which services sustained beyond the lifetime of CBO is significant, which we think is due to the mix of national and local funding and the social outcome contract element.
- Many of the projects also had wider legacies, acting as 'proofs of concept' and influencing wider roll-out of services and changes in investment strategy.
- CBO changed stakeholders' perceptions of social outcome contracts, and in some instances influenced commissioners to become involved in future social outcome contracts. However, the overall development of future locally-commissioned social outcome contracts post-CBO has been very low.

Project legacy

The degree to which services sustained beyond the lifetime of CBO is significant. Broadly two thirds of the CBO projects were recommissioned in some shape or form

"Locally there's been a transition to a new service. It's been recommissioned for a broader range [of people], but that wouldn't have happened if the methodology hadn't been proven in the results [of Reconnections]... it's been embedded in the local area, with local charities, local providers etc." (Service provider, Reconnections)

In the in-depth review projects, five out of nine were recommissioned. Of the other four that were not recommissioned, Be the Change could not have been recommissioned because the commissioner had been abolished, in HCT the provider no longer delivered the service, in NWL EOLCI other similar services had been expanded during COVID-19, and in PLCIP this was for many reasons, primarily due to there not being enough interest from all commissioners for the service to continue at the scale it was, and some commissioners wanting to take therapeutic support in-house.

"There wasn't that real commitment or ownership of it. And maybe if it had been the same director or Head of Service, there would have been more of a sense of that. I think there is, you know, because it isn't easy, it does take quite a lot of thinking, it does take a lot of work, sometimes it is easier to just disengage rather than keep working at it." (Commissioner, PLCIP)

We think CBO projects had good levels of sustainment because of the mix of national and local funding and the social outcome contract element. Our view is that, broadly speaking, the risk-sharing element of the social outcome contract, plus the additional funding from The National Lottery Community Fund, encouraged commissioners to fund services they were reticent to do initially because they were untested in their local areas. Once commissioners saw the results of the services through CBO, they re-commissioned them.

Many of the projects also had wider legacies, acting as 'proofs of concept' and influencing wider roll-out of services and changes in investment strategy. Zero HIV, Reconnections and Be the Change all influenced decisions to adopt similar services in other areas, with Zero HIV directly influencing central government policy and funding for large-scale opt-out testing for HIV. There were national roll outs of social prescribing and Individual and Placement Support (IPS) – the interventions funded in WtW and MHEP respectively – though the link between the CBO projects and these national rollouts is less clear cut. Both took learning from the projects, but were not directly influenced by evidence from them. Involvement in NWL and the other EOLCI projects led directly to a major reset of funding strategy by Macmillan Cancer Support, which has embraced social investment and repayable finance and set up both its £16m Social Investment Programme and latterly a specific End of Life Care Fund through which it will invest £36m, ending grant funding of end of life care entirely.

Social outcome contract legacy

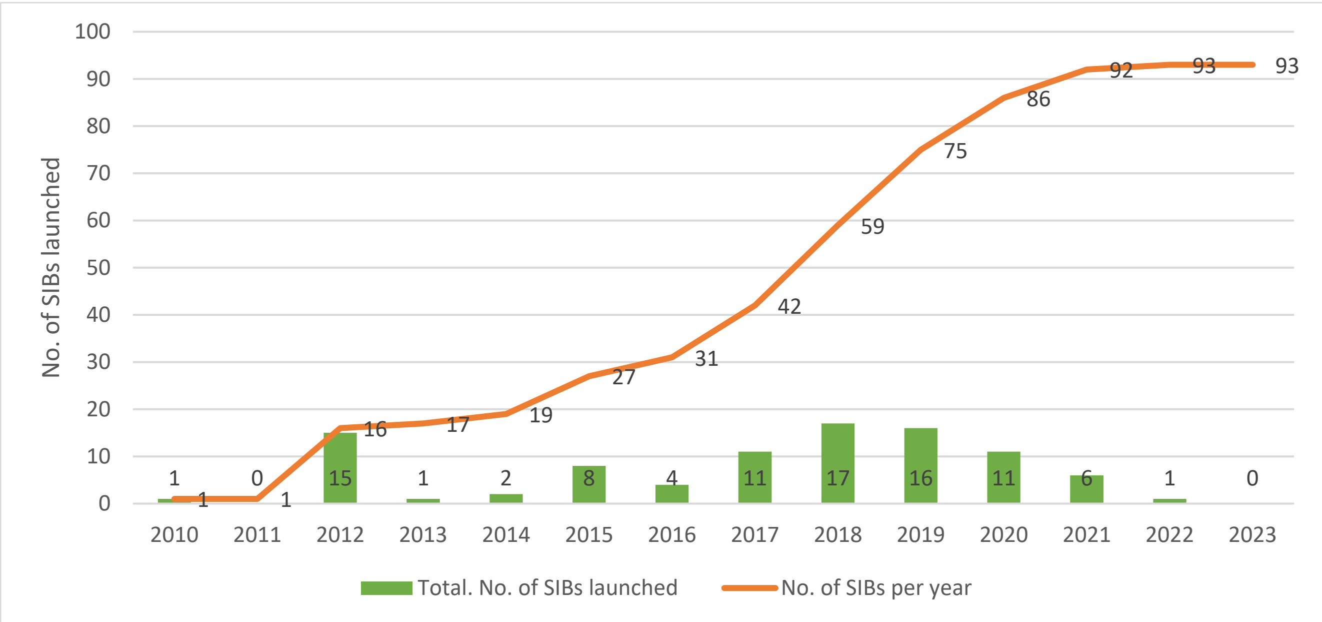
CBO changed stakeholders' perceptions of social outcome contracts, and in some instances influenced commissioners to become involved in future social outcome contracts. Many stakeholders reported being sceptical of the potential of social outcome contracts prior to CBO, but ended with a better understanding of where they could be best applied. In three of the in-depth review areas commissioning organisations became involved in future social outcome contracts as part of the LCF programme, with CBO having a direct influence on this decision – in two instances commissioning the same service as a social outcome contract (some of the commissioners in MHEP, and WLZ) or commissioning a new social outcome contract (some of the commissioners involved in HCT).

Of the five CBO in-depth review projects that were re-commissioned, only two were re-commissioned as social outcome contracts (MHEP, WLZ). The three others were funded either through fee-for-service contracts or grants (WtW, Zero HIV, Reconnections). The main reason these three CBO in-depth review projects were not re-commissioned as social outcome contracts was because commissioners did not think the social outcome contract was necessary – because its purpose was to de-risk their funding, and now the service was proven this was no longer needed.

Some follow-on social outcome contracts occurred, but CBO did not leave a strong social outcome contract legacy. Despite the vast majority of commissioners reporting being likely to be involved in future social outcome contracts (see above), the reality is most have not. We think this is in part due to commissioner churn, creating a high level of institutional memory loss, and meaning any interest in social outcome contracts dissipated as individuals moved on. We also think it reflects the absence of future programmes that provide local commissioners with top-up funding after the CBO and LCF programmes. As we reported earlier, local commissioners saw the benefits of social outcome contracts relative to the effort it took to launch and manage them as being marginal, with the opportunity to access top-up funding being the tipping factor. The absence of this top-up funding makes the notion of commissioning social outcome contracts – and the hard work that comes with it – less appealing to commissioners.

At mid-2024, social outcome contract development appears to be in a period of stasis, with the number of new social outcome contracts being commissioned plateauing in recent years. Figure 10 shows the number of social outcome contracts commissioned in the UK between 2010 and 2023. In this period, the peak period of social outcome contract commissioning was between 2017 and 2020 – over half (55) of the UK's social outcome contracts were commissioned during this four-year period, primarily consisting of social outcome contracts supported by the CBO and LCF programmes. Since 2018 there has been a steady decline in the number of social outcome contracts launched each year, and in 2023 no social outcome contracts were launched.

Figure 10. Social outcome contracts launched in the UK



Source: Ecorys chart, based on data from GO Lab INDIGO dataset. See: [Impact Bond Dataset (ox.ac.uk)](). Accessed at 30/09/24. Also see Carter et al, 2024. The Impact Bond Dataset: A Tool to Investigate Socially Motivated Cross-Sector Partnerships. Research Data Journal for the Humanities and Social Sciences (2024). 1 – 14.

CBO clearly had a positive impact on launching services that were then successful and sustained within local areas. This is a rare occurrence with national funding programmes and should not be overlooked. We think the blend of national and local funding coupled with the social outcome contracts de-risking payments for commissioners contributed to this. CBO also changed the perceptions of social outcome contracts amongst stakeholders. However, the main aim of CBO was to grow the social outcome contracts market in England – it did this in the short term (by supporting the launch of many social outcome contracts) but not in the medium- to long-term, as the development of future locally-commissioned social outcome contracts has been very low. We reflect further on the implications of this in our Conclusions.

11. Have more investors entered the social outcome contracts market? Is a new asset class emerging?

Key points:

- Investors and investment fund managers remain broadly optimistic about the future of social outcomes contracts, and view them as a more important part of the wider social impact investing landscape than is apparent from their share of the market.
- The lack of a consistent pipeline of opportunities remains an obstacle to growth,. This is unlikely to change unless commissioners adopt outcomes contracting more widely, and/or central government provides a fresh funding impetus.
- The short to medium term outlook is therefore for social outcomes contracts to remain 'niche' and of interest mainly to existing specialist investors.

The future landscape remains uncertain, but investment fund managers and investors were broadly optimistic. Overall, social outcome contracts comprise a very small proportion of total social impact investment in the UK. BSC estimated that social outcome contracts accounted for 1% of the total market at the end of 2022.[16] Despite this, investor stakeholders viewed them as disproportionately important relative to their actual size and spend**.** investment fund managers and investors were positive about both the financial and social returns from projects, and the experience of implementing SOCs had provided social investors with good evidence of how to better deliver contracts and measure social outcomes.

Although returns to investors were low relative to other investments, intermediaries and investment fund managers reported that they were in line with forecast returns when specific Outcomes Funds (focused wholly or partly on investment in social outcome contracts) were set up. Investors were in general promised returns only slightly better than break even (for example one Fund promised break even after inflation, then expected to be around 2%) reflecting the social focus of these funds.

Investors that were previously focused wholly or mainly on grant-giving saw repayable finance as an attractive option, since if they get even some of their money back they can re-invest it, unlike a grant which can be given only once. As noted above, Macmillan's experience of investment in the Care and Wellbeing Fund persuaded the charity to invest further, and to

[16] See: Market data | Better Society Capital

support end of life care through a repayable finance model. BSC published its own research in 2022[17] to mark 10 years of social outcome contracts in the UK, and noted that:

"the SOC market has grown and added significant value to thousands of individuals facing complex social issues. While the approach is not without challenges, the evidence is clear that there is potential for social outcomes contracting to grow and continue to add value to improving public service delivery in the UK." (Outcomes for All: 10 Years of Social Outcomes Contracts)

Furthermore, the Schroder BSC Social Impact Trust plans to allocate between 10 and 30% of assets to social outcome contracts.

However, a major obstacle to further growth is the lack of a consistent and visible pipeline of opportunities. Stakeholders' view was that unless and until commissioners adopt SOCs more widely (including without subsidy from funds similar to the CBO and LCF) and/or there is a significant policy impetus from central Government, then investment in social outcome contracts will remain piecemeal and small scale.

At the time of the last survey with investment fund managers and investors (2023), they saw it as too early to judge whether social outcome contracts will emerge as an asset class (i.e. a defined category of investments that have similar characteristics and are regulated in the same way). The general view was that investment in social outcome contracts is still a recent innovation, and stakeholders reasonably point out that an asset class does not usually emerge in a type of investment that has been available for little more than a decade and is still evolving at a relatively high pace. Stakeholders also took the view that it is unlikely that social outcome contracts will become an established asset class unless the market as a whole is larger, which will require more opportunities of significant scale.

Overall, our conclusion is that investment in social outcome contracts will remain small scale in the short- to medium-term. This is mainly because the market itself is too small to attract more investors and it will therefore remain a 'niche' sector of interest mainly to those already having experience of its unique characteristics, and with a focus on social impact rather than financial return.

12. Are more service providers able to compete for SOCs as prime and sub-contractors?

The CBO projects have widened the pool of service providers able to work within a SOC structure. A claimed benefit of SOCs is that they enable smaller VCSEs with relatively weak balance sheets to become involved in SOCs, since investors bear the financial risk of outcome success and pay providers to deliver the service (or give them working capital until outcome payments cover their costs). Across the projects this has happened to the extent that the

[17] BSC, 2022. *Outcomes for All: 10 Years of Social Outcomes Contracts.* See: [BSC_Outcomes_For_All_Report_2022.pdf (cdn.ngo)]

providers leading the projects, or selected to deliver services were able to do so (and the evidence strongly suggests that they would not have been able to do so without support from social investors).

The main benefit of the projects in building capacity in the longer term has been in enabling VCSEs (as both prime and subcontractors) to adapt to delivery through social outcome contracts and become better equipped for future contracts. An example from the in-depth review projects is MHEP where two of the three providers built knowledge and capacity to manage social outcome contracts, while in Be the Change, the Mayday Trust became more comfortable with outcome-based delivery and subsequently took on further outcome contracts. Another provider was exploring successor contracts and remains wedded to the social outcome contract model. In other projects, providers were less comfortable in delivering through social outcome contracts, and in some cases (e.g. WtW) providers withdrew from the project. However, the overall picture is positive.

13. How do social outcome contracts fit into The National Lottery Community Fund partnerships?

The CBO programme was different from most programmes funded by The National Lottery Community Fund. This was mainly because it channelled funding to local commissioners rather than direct to VCSEs, and was part-funding outcomes rather than directly funding service delivery through grants.

The National Lottery Community Fund has launched new strategic priorities for 2023-2030, and there are places where social outcome contracts could contribute. Social outcome contracts align with The National Lottery Community Fund's values of being impact focused and adaptable – two of the strongest benefits of social outcome contracts. Social outcome contracts could also help with how The National Lottery Community Fund works, particularly in its ambition to partner with communities, civil society organisations, the public sector as well as other funders and businesses; CBO has been very effective in bringing together funding from The National Lottery Community Fund, public sector, other funders and businesses in ways rarely seen. The Strategy also sets out The National Lottery Community Fund's vision for investing in projects that support bold new approaches, transformation and long-term change; here again social outcome contracts can play a part, as they are often a 'disruptor' that challenge the status quo of how partnerships work and interventions are delivered.

In our view The National Lottery Community Fund was right to initiate and implement the CBO programme because of the important contribution it has made to development and learning in outcomes contracting, as we discuss elsewhere in this report, and especially in increasing the capacity of VCSEs to take on social outcome contracts and work with investors and Fund Managers. However, there seems to be no case for a more generalised shift towards The National Lottery Community Fund paying for the achievement of outcomes.

We also observed that The National Lottery Community Fund seemed at times to be uncomfortable with paying for outcomes. In social outcome contracts where service providers are sharing the financial risk with investors, this means funds are withheld from VCSEs, and sometimes this caused them to get into financial difficulties. This can seem at odds with the role of The National Lottery Community Fund to support local VCSEs, and The National Lottery Community Fund seemed to struggle with this position, sometimes increasing the amount they paid per outcome in social outcome contracts that were not achieving against plan in order to keep them afloat.

It may also be appropriate for The National Lottery Community Fund to support grassroots organisations to access social outcome contracts. As noted above, grassroots organisations would likely need substantial support to become involved in social outcome contracts. Former programmes such as the Investment and Contract Readiness Fund[18], Impact Readiness Fund[19] and Big Potential[20] have been effective at building smaller VCSEs' capacity to become involved in government contracts, and this could be a future role for The National Lottery Community Fund in relation to supporting social outcome contracts.

---

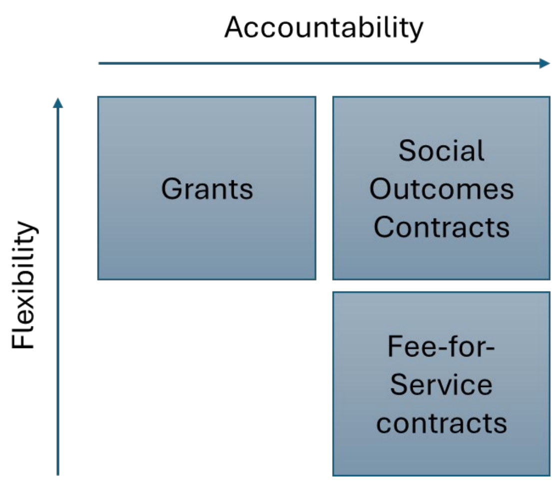
[18] Ronicle & Fox, 2015. *In Pursuit of Readiness: Evaluation of the Investment and Contract Readiness Fund.* See: In Pursuit of Readiness: Evaluation of the Investment and Contract Readiness Fund - Social Investment Business (sibgroup.org.uk)
[19] Hornsby, 2017. *"That's my hat! A Review of the Impact Readiness Fund.* See: irf_review_2017-Final.pdf (access-socialinvestment.org.uk)
[20] Hazenberg, 2020. *Big Potential Breakthrough Evaluation. Final Evaluation Report.* See: Big_Potential_Breakthrough_Evaluation_Report_YEAR6_2020_FINAL_.pdf (sibgroup.org.uk)

5.0 Conclusion: What do we think all of this means for the future of social outcome contracts?

The CBO programme was one of the first and largest programmes to support social outcome contracts. It led to the launch of many new social outcome contract designs in new locations and new policy areas. The programme, and this evaluation, have helped develop our understanding of how social outcome contracts affect local commissioning and the delivery and outcomes of services.

We now have a better understanding of the pros and cons of using social outcome contracts vs fee-for-service contracts and grants. Fee-for-service contracts have lower transaction costs and are easier to set up. However, they mainly reward providers for the volume and quantity of services delivered, regardless of the quality or outcome of services provided. On the other hand, social outcome contracts appear to be able to provide both **accountability** – embedding a stronger focus on outcomes – and **flexibility** – enabling providers more freedom in how they deliver services without overly-specified outputs. Thus, they can be an effective bridge between grants (which provide flexibility but limited accountability) and fee-for-service contracts (which provide accountability but limited flexibility) – as shown in Figure 11. However, they can be more complex to launch than fee-for-service contracts or grants.

Figure 11. Levels of flexibility and accountability in different funding instruments



Thus, we now have a better understanding of when social outcome contracts are most suitable – this relates to certain circumstances rather than specific policy areas**.** They are **best suited for situations where commissioners are looking to achieve both flexibility and accountability**. They also appear to be best suited to **contexts where outcomes are measurable**, and there can be a reasonable degree of confidence in the attribution of outcomes. Finally, they **appear well suited to situations where there are limited resources**

to fund experimentation, as the financial risk sharing with investors can encourage commissioners to take risks with untested interventions, knowing that if the projects don't succeed then commissioners don't have to pay for all of the service.

We also know when social outcome contracts are *less* suitable. They aren't suitable in situations where commissioners have limited capacity to engage with launching and overseeing services. They aren't suitable in situations where it is difficult to define or measure an intervention's intended outcomes, and/or be confident that changes in the outcome can be attributed to the funded intervention. Although the 'invest to save' logic of social outcome contracts (that the intervention generates savings than can be used for the outcome payments) was appealing in the beginning, in reality they rarely do generate such cashable savings, and focusing project delivery on generating savings can be at the detriment of good quality service delivery.

It is difficult to report on the likely future of social outcome contracts at the time of writing this report (mid-2024) immediately after a General Election has taken place. No stakeholders interviewed were aware of the new Labour Government's views on social outcome contracts, and clearly their views and appetite to support social outcome contracts will have a significant influence on the future take-up of the instrument. Therefore, our views on the future of social outcome contracts are quite speculative.

From this standpoint, it is not apparent where future interest in social outcome contracts will come from: No government department has a strategy to support the growth of social outcome contracts. As we reported in Section 10, the appetite from local government with the absence of additional funding is low – there are pockets of regions that continue to explore social outcome contracts (e.g. Greater Manchester, Norfolk), but these are in the minority. And it does not appear that future programmes to provide additional funding to local social outcome contracts will materialise any time soon – the central proponents involved in outcomes funds designed to support local social outcome contracts want them to *"stand on their own two feet"* – as in, they want the demand to come from local areas, rather than fund them through a top-down approach. Social outcome contracts therefore seem to be at an impasse: local areas don't have demand for them without central funding; central funding won't support them without local area demand.

The main interest in social outcome contracts at a local government level appears to be in their 'invest-to-save' preventative approach. That is, external investment can be used to launch a preventative service, and commissioners can pay for the outcomes if this service then reduces demand – and therefore cost – for higher end services**.** Our Political Economy of Commissioning study found that even of late (2023) commissioners were most attracted to social outcome contracts because of this aspect. This synthesis report shows that social outcome contracts can be useful in this respect, but the approach needs to be looked at carefully. Do the savings need to be 'cashable' or are 'avoided costs' sufficient (i.e. demand has likely been reduced by the social outcome contract, but for various other reasons this does not lead to overall budget savings)? How assured do commissioners need to be that costs are being reduced, and is this built into the outcome measurement approach? Finally, for the intervention to be a success there needs to be wider buy-in to the purpose and benefits of the service beyond it simply saving money.

However, we think this stasis in the development of social outcome contracts is a reflection of the situation in local commissioning, rather than a reflection on the efficacy of social outcome contracts. Social outcome contracts are by no means perfect, and not every social outcome contract has been a success – as this report shows. But this evaluation - and every other evaluation of social outcome contracts in the UK that has preceded it[21] – shows that social outcome contracts have brought together central and local government funding with philanthropic and private capital in ways rarely seen. They have supported local areas to launch untested services, have provided services with the flexibility to offer tailored support and have embedded a more outcomes-driven approach to how services are considered, commissioned and run. The main reasons they are not being commissioned at present appear to be very tight funding[22] leaving little room for innovation, low capacity in local government, and current contract management practices. Indeed, our *Political Economy of Commissioning* research found that commissioners favour fee-for-service contracts over more innovative approaches not because they are better, but because they are *"quick, default and cheap"*, and commissioners lack the capacity to explore alternative contracting approaches.[23] Social outcome contracts still go against the grain of usual local commissioning – in order for them to succeed they therefore need strong leadership, people willing to take risks / try novel approaches, and additional effort and commitment. Whilst this exists sometimes, this is not a sustainable option.

We therefore conclude that social outcome contracts still have a valuable role to play in local commissioning, and local commissioners should be supported to further develop them through outcome funds from central government that provide a 'top up' to cover the additional costs of social outcome contracts. This evaluation has shown outcomes

---

[21] For example see: Disley et al, 2016. *The payment by results Social Impact Bond pilot at HMP Peterborough. Final process evaluation report.* The payment by results Social Impact Bond pilot at HMP Peterborough: Final process evaluation report | RAND*;* Fraser et al, 2018. *Evaluation of the Social Impact Bond Trailblazers in Health and Social Care.* SIB Trailblazers Evaluation final report.pdf (piru.ac.uk); Ronicle & Smith, 2020. *Youth Engagement Fund Evaluation*: ECOTEC Report template (publishing.service.gov.uk); Davey et al, 2023. *Evaluation of the Care Leavers Social Impact Bond programme: Final evaluation report.* Evaluation of the Care Leavers Social Impact Bond (SIB) programme (publishing.service.gov.uk)

[22] For example, see: The precarious state of the state: Public services | Institute for Government

[23] Smith et al, 2024. *The political economy of commissioning: commissioning for earlier and better outcomes*. See: Political-Economy-Commissioning-earlier-better-outcomes.docx (live.com)

funds like CBO can be effective in supporting local commissioners to launch social outcome contracts. We think a programme *like* CBO should be re-run to support their continued use. However, we think future programmes should adopt a place-based approach. Whilst the CBO programme was effective in launching social outcome contracts, the knowledge and momentum was not sustained in local areas, as the number of social outcome contracts per area was too small to build a critical mass. The knowledge and momentum *has* stuck in a number of local places, and we think that this suggests adopting a place-based approach may be a way to ensure that critical mass sustains. This would mean identifying a number of regions that are interested in developing social outcome contracts, and supporting that local area to do so – not just by contributing to outcome payments, but also by building the local capacity to develop social outcome contracts themselves (rather than development grants being spent on external consultants, who take the learning with them).

However, social outcome contracts are not a sticking plaster to local commissioning challenges, and any investment in social outcome contracts would need to sit alongside wider investment in local commissioning approaches. The capacity of local government would need further enhancing to ensure they are equipped to commission more complex structures. There would need to be a cultural shift towards prioritising the achievement (and accurate measurement) of outcomes rather than focusing on funding activities, and local government would need to be able to use longer-term funding, rather than being restricted by annualised budgets. If these elements were introduced, then local government could be commissioning better outcomes into the longer term.

ECORYS

Answering tomorrow's challenges today

Albert House
Quay Place
92-93 Edward St.
Birmingham
B1 2RA

T: +44 (0) 845 313 7455
E: birmingham@ecorys.com

ecorys.com