

# Reconnections Social Impact Bond: reducing loneliness in Worcestershire

An in-depth review produced as part of the Commissioning Better Outcomes evaluation

## Summary

The impact of isolation and loneliness on mortality has been estimated to be equivalent to smoking 15 cigarettes a day<sup>1</sup>. The Reconnections Social Impact Bond (SIB) aims to directly reduce loneliness and isolation for 3,000 people over the age of 50 in Worcestershire. Reconnections is the first SIB in England aimed at reducing loneliness and social isolation. Worcestershire County Council (WCC) with three co-commissioners from Clinical Commissioning Groups commissioned Reconnections, Nesta is the main funder and Age UK Herefordshire and Worcestershire is the main provider for the SIB.

The SIB facilitates access to services to reconnect these individuals with their communities to reduce loneliness. The improved health and wellbeing of beneficiaries is expected to deliver more than £3 million worth of savings to the public sector over 15 years. The maximum amount of outcome payments attached to the SIB is £2 million based around a key payment outcome of an improvement in levels of loneliness.

### Successes and benefits

- **A strong business case:** The SIB quantified in a rigorous way the costs and benefits of loneliness and put forward a stronger 'case for investment' for this issue.
- **Strong contract design:** The SIB contract between the commissioner and the service provider was designed to ensure the payment by results mechanism did not encourage the targeting of the least in need (i.e. the easiest results to achieve to release a payment).
- **A focus on longer term outcomes:** The contract also focussed on outcomes in the longer term (after 18 months) as well as the shorter term (six months).
- **Co-commissioning:** The Reconnections SIB had both the primary commissioner through Worcestershire County Council and also co-commissioners from 3 Clinical Commissioning Groups (CCGs). This helped ensure a joined up and multiagency approach to dealing with a complex social problem.

### Challenges

- **Lengthy procurement processes:** It took ten months to design and run the open procurement process which delayed the planned start of the programme.
- **Only one bid was received through a procurement:** This largely came about because the consortium which was developed for this single bid was broad and generally well developed and contained all of the obvious organisations.
- **A lack of capacity around management:** Compared to other SIBs, the Reconnections SIB has a relatively small amount of management and coordination resources which may have effected the speed at which the SIB was development.

### Lessons learned

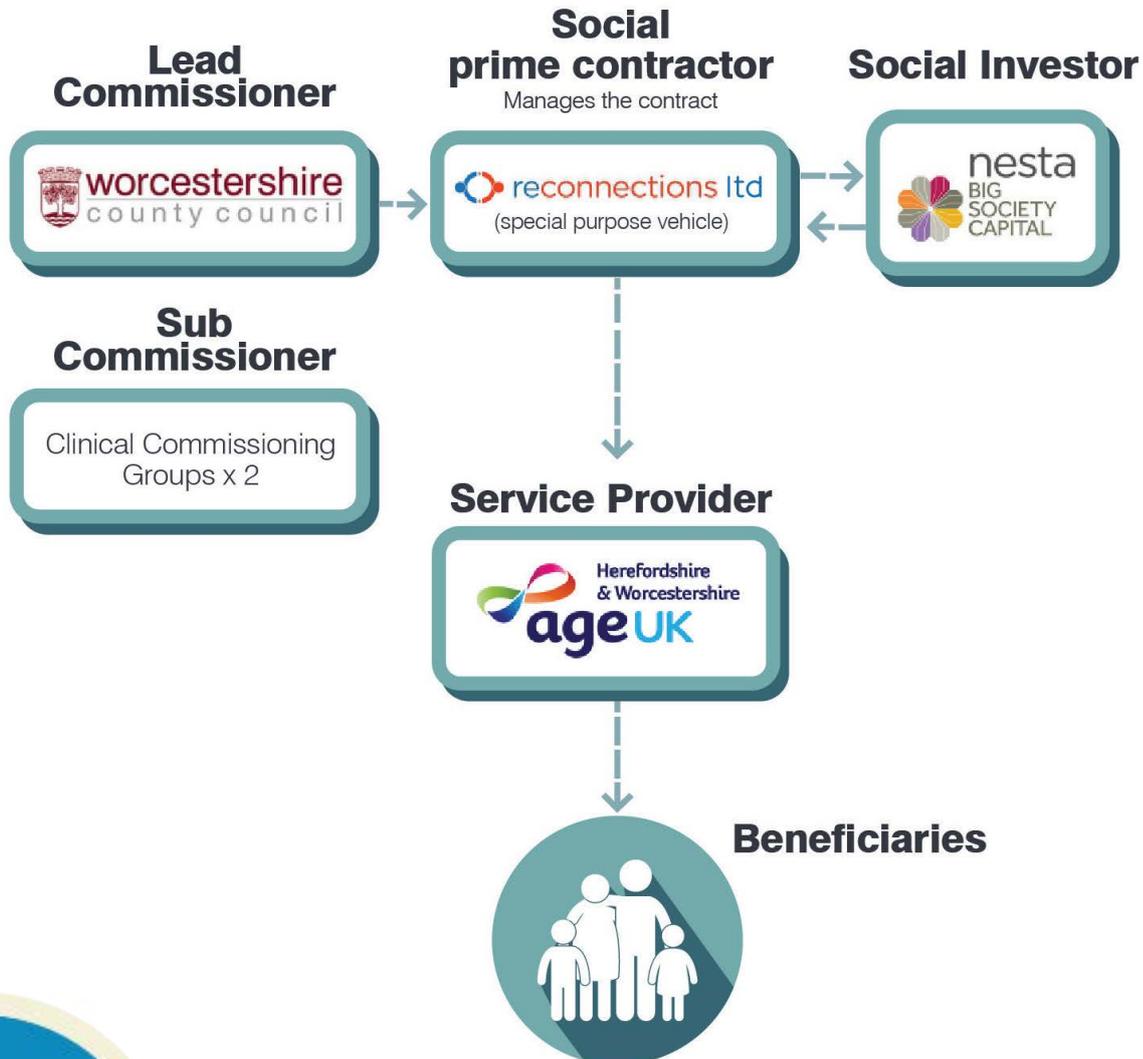
- **Consult with possible providers/ intermediaries early:** Consultation before any procurement process takes place (when open dialogue becomes more restricted) is important. This will encourage a good range of providers to consider bidding.
- **Setting up a SIB is resource intensive:** This SIB has cost nearly £200,000 to develop. This is partly understandable (because of the work required to develop a robust evidence base). But development costs need to be well resourced. In addition, SIB development can also be time intensive. This one took ten months to go through the procurement process.
- **SIBs are a positive way of testing interventions:** They can provide new forms of upfront finance at a time when there is very little additional funding for anything outside of the core and immediate concerns. A SIB also allowed for a 'new' loneliness intervention to be tested with little in the way of financial risk for the public sector and the VCSE service providers.



# Reconnections Social Impact Bond

Tackling loneliness in Worcestershire

## 'Top-up' funds



## The SIB intervention

Reconnections is the first Social Impact Bond (SIB) in England aimed at reducing loneliness and social isolation. Worcestershire County Council (WCC) with co-commissioners from Redditch & Bromsgrove, South Worcestershire and Wyre Forest Clinical Commissioning Groups commissioned Reconnections, a Special Purpose Vehicle (SPV), to deliver the Reconnections SIB. Reconnections is the second SIB supported by the Big Lottery Fund's Commissioning Better Outcomes programme.

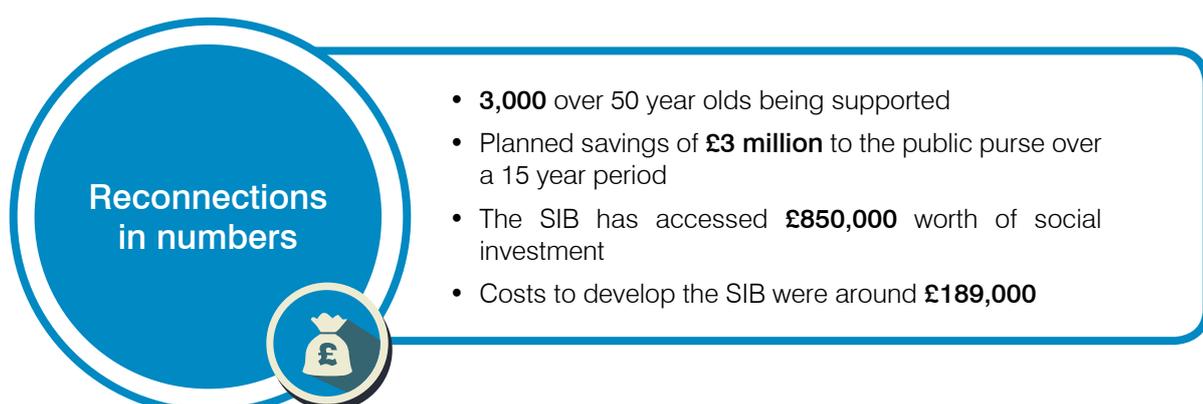
It will deliver a new service specifically targeting 3,000 over 50 year olds who are lonely and reside in Worcestershire. The SIB will provide one-to-one tailored support for lonely older people who will co-develop an action plan to establish ways in which they can (re)connect with a variety of local support networks. The SIB facilitates this access to services to link individuals with their communities, with activities including:

- a befriending service to link volunteer 'friends' with beneficiaries
- links into self-help groups (which contain people of similar age and who are experiencing similar issues)
- signposting to existing support activities taking place in the local community linked to economic, health, social care and emotional support services.

A volunteer based locally will work with each beneficiary to help them achieve the actions in their plan and help individuals maintain their connections with activities in the longer term. Key aspects of the intervention will include:

- engaging individuals with support early on in the process before they become more lonely
- assessing beneficiaries needs to properly understand why they are lonely (i.e. personal circumstances, financial situation, relationship problems)
- having a clear action plan that defines specific and clear activity that will take place to help a beneficiary reduce their loneliness.

The referral pathway into the intervention ranges from primary care providers, social care services, social landlords, and other VCSE organisations, family and friends as well as self-referral.



### Reconnections in numbers

- **3,000** over 50 year olds being supported
- Planned savings of **£3 million** to the public purse over a 15 year period
- The SIB has accessed **£850,000** worth of social investment
- Costs to develop the SIB were around **£189,000**



## The SIB business case

Providers and commissioners linked to the Worcestershire SIB were increasingly recognising loneliness as a serious social issue which directly increases health and social care service usage as well as the development of particular health conditions. Recent research has found:

- The affect of isolation and loneliness on mortality has been estimated to be equivalent to smoking 15 cigarettes a day<sup>2</sup>
- Isolation and loneliness are linked to depression, anxiety, declining mobility, high blood pressure and increased mortality rates<sup>3</sup>
- Loneliness reduces older people's immediate quality of life<sup>4</sup>.

The business case for the SIB drew on new cost-benefit analysis into the costs of loneliness<sup>5</sup> as well as UK and international evaluations of the relationship between loneliness and service use. Based on the evidence available, the improved health and wellbeing of beneficiaries is expected to deliver more than £3 million worth of savings over 15 years to both the commissioners of Adult Social Care and the local CCGs if the full reductions in loneliness are achieved.

An estimated £1.3 million of these savings are anticipated to come from CCG savings, £840,000 from savings to local authority care and £950,000 will come from wider benefits associated with improved wellbeing.

The £3 million savings is anticipated to take up to 15 years to realise the savings. This will come from the cost savings of improved health, resulting in reduced incidents of dementia, diabetes and other long-term conditions.

In the shorter term, many of the savings will not be cashable. Worcestershire County Council have not quantified the savings to GP surgeries from reduced visits by beneficiaries meaning they have not been treated as cashable savings at this point (although an evaluation is underway to understand the quantifiable reduction in GP visits which can be built in as cashable savings at a later date).

The SIB will initially run for four years although due to the long-term nature of some of the savings, WCC may decide to run it for 15 years subject to progress made in the first four years of its life.

## Contracting Model

The main elements of the contracting model are as follows:

**- Commissioner:** Worcestershire County Council is the lead commissioner for the SIB along with three co-commissioners from Redditch & Bromsgrove, South Worcestershire and Wyre Forest Clinical Commissioning Groups. This joint co-commissioning approach was helped by the existence of an Integrated Commissioning Unit in Worcestershire which helps link the Local Authority and the CCGs together to jointly address health problems in the area.

**- Special Purpose Vehicle (SPV):** The Reconnections SIB is being managed by Reconnections Ltd. An SPV is a legal entity that in this instance has been created solely for a particular financial transaction or to fulfill specific objectives. Forming an SPV is a common approach in SIBs when contracting with a group of entities in public private partnerships. SPVs can also play an enabling role in the legal, financial and operational structure of a SIB. Investor funding is channeled into the SPV which enters into a contract with the commissioner. The SPV is owned by the investors: Nesta Impact Investments; the Care and Wellbeing Fund (managed by Social Finance) and Age UK.

<sup>1&2</sup> Holt-Lunstad, J, Smith TB, Layton JB. (2010)  
"Social Relationships and Mortality Risk: A Meta-Analytic Review" PLoS Med 7(7)

<sup>3</sup> Ibid

<sup>4</sup> Ekwall, Sivberg and Hallberg (2004) "Loneliness as a predictor of quality of life among older caregivers," Journal of Advanced Nursing, 49 (1)

<sup>5</sup> <http://www.socialfinance.org.uk/investing-to-tackle-loneliness-a-discussion-paper/>



- **Social Finance:** provides management and operational support for the project. Social Finance is a not-for-profit social investment intermediary that partners with government, the social sector and the financial community, to find ways to tackle social problems through alternative funding mechanisms such as SIBs.

- **Prime Provider:** Age UK Herefordshire and Worcestershire is the main provider for the SIB. It is supported by five main delivery partners (from the local VCSE sector). Other VCS organisations are expected to partner with Reconnections to support specific activities to help beneficiaries reduce their loneliness.

- **Investors:** Nesta is the main investor for the SIB. Nesta is a charity with a mission to help people in social need who need support in a variety of ways, including (in the case of the Worcestershire Loneliness SIB) direct investment. Nesta sits on the board of the Reconnections SPV and takes part in strategic decisions linked to the direction and delivery of the SIB. The other main initial investor was Big Society Capital (BSC). BSC originally invested in the SIB in order to help it become established with a view to selling its investment stake to another organisation in order to invest in other propositions. In line with this strategy, six months into the project BSC's investment was sold to the Care and Wellbeing Fund (a community health and care focused fund invested in by Macmillan Cancer Support and BSC) and Age UK National which is the investment arm of Age UK, established to test new ways for the organisation to deploy and utilise its resources. Details of the investments provided by these organisations is found on the next page of this report.

## Funding and Development Costs

The maximum amount of outcome payments attached to the SIB is £2.02 million. This can be broken down as follows:

- £303,000 from the Commissioning Better Outcomes Fund
- £697,000 from the Social Outcome Fund (SOF)
- £1.02 million from the Commissioner

The costs of developing the SIB was £189,000 including:

- A £90,000 grant from the Department of Health, to carry out the cost-benefit analysis of the project and understand some of the metrics that may suit a possible SIB including levels of outcome payments, the costs of loneliness. This grant went to Age UK and Social Finance who undertook the research (rather than the Commissioner).
- A £64,000 Development Grant from the Commissioning Better Outcomes Fund to help develop the project in terms of paying a part-time Project Manager as well as extra research to help inform the development of the CBO application.
- A £35,000 in-kind contribution from WCC linked to staff time undertaken to further develop the SIB.

While these costs appear high compared to the total potential savings of the SIB, some of these costs are not unsurprising given the innovative nature of the SIB as the first to address social isolation and the need to research in detail the costs and benefits of an intervention that could effectively address this issue.

## Social Investments

The SIB has access to a total of up to £850,000 of social investment. The actual returns will be dependent on the SIB's performance in reducing loneliness. £450,000 of the investment comes from Nesta Impact Investments – a fund supporting key challenges faced by older people, children and communities in the UK. A Care and Wellbeing Fund supported by Big Society Capital and Macmillan Cancer Support provided £350,000. A further £50,000 came from Age UK nationally - which is investing specifically to support the development of the project and the learning from it, with any returns put back into its charitable work. As explained earlier, the Care and Wellbeing Fund and Age UK investments were initially held by Big Society Capital before being transferred to them.

## Outcome payments

The primary outcome for this SIB (upon which payments will be made) is linked to the reduction in loneliness of supported individuals. A baseline will be established for each beneficiary to determine the extent of their loneliness. Beneficiaries will be asked a series of questions to determine the scale of their loneliness, ranging from four points (not lonely) to 12 points (totally isolated) with beneficiaries of the SIB typically scoring eight or above on the scale. If levels of loneliness drop for beneficiaries below a recognised points score on the internationally accredited R-UCLA loneliness scale (developed by the University of California- see below for details) then a payment is made. Beneficiaries will be assessed to understand any changes from their baseline position at six and 18 month intervals, using the same series of questions explained above. Someone is only eligible for support if they score:

- between eight and 12 on the loneliness scale; or
- seven on the scale and also demonstrates at least five of the enhanced risk factors including living alone, being single, divorced, never married and living on a low income<sup>6</sup>

The key outcome of the SIB will therefore be the improvement in levels of loneliness. If service users' scores have fallen at the six and 18 month assessment then a payment is released. Payments will be:

- £460 at the six month assessment
- £240 at the 18 month assessment.

The above outcome payment levels were derived from original cost/ benefit analysis done by Social Finance which identified the costs of loneliness to the public purse<sup>7</sup>. We were keen to have outcome payments for the short and long term - so have included them after 6 and 18 months.

## SIB development timeline

Key milestones in the development of the SIB were as follows:

- 2013: Initial discussions between Social Finance and the Integrated Commissioning Group took place to consider a variety of potential ways in which social investment could support the development of preventative based services in the county
- June 2014: CBO initial application submitted
- September 2014: Open Procurement process opened
- November 2014: Open Procurement closed
- January 2015: Reconnections SPV identified as preferred provider
- May 2015: Contracts between commissioner and SPV agreed
- May 2015: SIB launched
- June 2015: CBO in-principle decision made
- July 2015: Service launched (becoming fully operational in September 2015).
- October 2015: CBO final decision made.

### When does the SIB start?

The project began in May 2015 and the first outcome payments were originally planned for March 2016 with the final outcome payment schedule in mid 2019.

### What are the key successes of the SIB?

This section provides an assessment of the early stages of establishing the SIB. It explains what were perceived to be the main advantages of funding the intervention through a SIB, highlights stakeholders views of the main successes of the SIB's development phase. It then considers the main disadvantages of a SIB approach and the challenges faced in developing the SIB.

<sup>6</sup> <http://campaigntoendloneliness.org/toolkit/wp-content/uploads/Risk-factors.pdf>.

<sup>7</sup> [http://www.socialfinance.org.uk/wp-content/uploads/2015/06/Investing\\_to\\_Tackle\\_Loneliness.pdf](http://www.socialfinance.org.uk/wp-content/uploads/2015/06/Investing_to_Tackle_Loneliness.pdf)

## Advantages of a SIB approach

Stakeholders reported that funding the intervention through a SIB model (rather than through a traditional pay-for-service model) led to a number of advantages:

- Both County Council and NHS budgets were being cut and pressure was high to reduce funding on issues such as loneliness and isolation which were seen as being outside of the core services. The SIB was seen as providing a good financial mechanism to **plug the gap in short-term funding**.

*“We needed to find money to tackle this issue at a time when money wasn't really available.”*

- The commissioner recognised the shift of risk away from themselves towards the investor and were attracted by the overall payment-for-results ethos: only once outcomes have been achieved are payments released meaning there is little danger of paying for an intervention which is not working. Again, this was seen as particularly attractive in a period of financial pressure for the commissioners.
- There was a drive within Worcestershire County Council and the NHS to be **more creative and innovative** in the way they both finance and deliver services. A SIB was seen as a good way to practically achieve this corporate goal.
- There was a general view that the SIB and payment-by-results approach encouraged all those developing the intervention to be much **more robust in terms of the outcomes** expected by the programme as well as its **financial plan**.

## Strengths of the SIB model

The SIB had the following strengths according to the stakeholders consulted:

**A strong business case:** The early drive for using a SIB model came from initial work that Social Finance and Age UK Herefordshire & Worcestershire undertook around possible health issues in Worcestershire that could be applied to a SIB model. Social Finance had initial discussions at the Strategic Partnership Group about a range of possible health challenges that could lend themselves to a SIB mechanism- with one of them focussed on loneliness and social isolation. A number of health issues were initially discussed but the loneliness theme was thought to be most attractive and most aligned to a SIB mechanism because:

- Very little co-ordinated work was being done on loneliness within the region which meant any concerted effort by a SIB to tackle this issue would more likely have higher levels of impact and was less likely to duplicate existing provision
- The lack of existing provision within the region, meant that it was easier to measure impact and the direct outcomes that could be attributed to the provision. This was deemed important because the outcome payment linked to a reduction in loneliness needed to be as robust and clear as possible (so the commissioner wasn't paying for outcomes achieved because of other interventions)
- A SIB attached to loneliness was seen to have stronger and more robust evidence of need but also much stronger evidence of the cost savings of the intervention for both Adult Social Services and the NHS.

Of importance to the 'case for loneliness' in terms of a SIB mechanism was research undertaken by Social Finance linked to the costs, issues and metrics of 'investing' in loneliness<sup>8</sup>. According to the commissioner, the existing research, data and evidence put forward in the early stages of the SIB had a much stronger case for both the intervention and the SIB compared to what they were previously used to. This initial piece of research and subsequent work undertaken during the early phase of the SIB:

- Quantified in a much more rigorous way the costs of loneliness to the public purse and in particular the costs of loneliness to Local Authority and NHS budgets.
- Linked to the above, was much more robust in explaining the casual link between someone becoming lonely and their increased demand in the use of primary health care (e.g. increase in the use of GPs).
- Put forward quantified metrics to measure whether an individual is/is not lonely through the use of robust and well recognised indicators to better understand who the SIB should and should not be supporting.
- Specified what outcomes a loneliness programme could use to understand its impact and therefore better understand the projected benefits and overall intervention logic for the programme.

*“We see lots of ideas for health funding put forward - but this one had one of the strongest cases for support we had seen.”*

The above meant that the 'case' for a SIB intervention was perceived to be stronger than many of the propositions that went through the Integrated Commissioning Unit around ways to save financial resources.

**Effective contract design to maximise impact:** Another key positive was seen to be how the SIB was designed to ensure the payment by results mechanism did not encourage the targeting of the least in need (i.e. the easiest results to achieve to release a payment including those closest to eight on the standard test and those who were perhaps suffering more shorter term loneliness due to a bereavement for example). This was partly to reduce any chance of perverse incentives from the SIB but more importantly to maximise the additionality of the programme (i.e. stop the programme only helping those who may have improved their levels of isolation in the absence of the intervention). Contractual requirements put in place by the Commissioner included:

- Specifying that the services of the SIB needed to partly target individuals living in Super Output Areas which contain high levels of deprivation
- Ensuring that 'everyone' referred into the programme and who scored above the threshold would need to be supported in some way. This meant that there is no 'cherry picking' by the programme and no temptation to only support those who scored 8 on the scale whilst at the same time avoiding those scoring 12
- The provider not being penalised if those who they are supporting become more lonely and isolated during the intervention (i.e. rise from a 9 to a 10 on the scale). This recognises that the provider is taking on some very difficult cases and that they should not be financially penalised because of this.

**A focus on longer term outcomes:** Another strong part of the contract and the overall outcomes payments attached to the SIB was seen to be its part- focus on outcomes and results in the longer term. Although part of the outcomes payment is linked to an individual's level of loneliness after six months, (where a £460 payment is made) a further £240 payment is made after 18 months if a person has maintained a drop in their levels of loneliness.

<sup>8</sup> <http://www.socialfinance.org.uk/investing-to-tackle-loneliness-a-discussion-paper/>

**Encouraging of pilot activity:** A perceived additional strength of the SIB was around its ability to test and pilot a new type of activity to tackle the growing problem of loneliness. Stakeholders stated that the SIB approach allowed a new service to be tested in a way which would not have been possible in the current financial climate where there is a general pressure on public sector funding. Because budgets to all commissioners were being cut (particularly in the social health area) any mechanism which reduced the need for upfront payments was seen as an advantage, particularly for an issue such as loneliness which was rising up the local and national political agenda and where a 'call for action' was deemed important. Linked to this, the SIB mechanism allowed for a new loneliness intervention to be tested with little in the way of financial risk to the public sector.

**Good communication between partners:** there was general agreement among the different stakeholders that the SIB development process had benefited from strong communication between all stakeholders involved (commissioners, investors, intermediaries and providers). Good relationships and communication channels were also formed very early on in the process at the stage where the whole concept of a SIB mechanism was initially being discussed by various stakeholders involved in the Reconnections initiative. Even at this early stage, the intermediary, potential provider and commissioner were in conversation about how the SIB might work, payment mechanisms that could be used and the delivery arrangements that may work once the programme got off the ground. This 'co-development' arrangement and phase helped ensure the early life of the SIB was developed with all stakeholders feeding in their preferences, ideas and suggestions. Although 'good communication' between partners is often important in any programme- because a SIB often involves new types of stakeholders who have not often worked together previously (particularly the investor and the commissioner/ provider) then the good communication which existed within this SIB is highlighted as a positive.

*“This was a new type of relationship and a new type of working arrangement between different types of organisations. We all worked well together though and are still very much talking to each other!”*

**The existence of co-commissioners:** some SIBs find it hard to find and secure co-commissioners meaning many only have a single commissioner involved. However, the Worcestershire SIB had both the primary commissioner through Worcestershire County Council and also co-commissioners of Redditch and Bromsgrove, South Worcestershire and Wyre Forest Clinical Commissioning Groups. The co-commissioning approach was greatly encouraged by both the existence of the Integrated Commissioning Unit. Both of these helped ensure a joined up and multiagency approach to dealing with complex problems linked to the health and social care crisis.

## What are the main disadvantages of the SIB approach?

The consultations also identified a number of disadvantages to the SIB approach and challenges to its execution. These included:

**Lengthy procurement process:** The time it took to run the official procurement process (i.e. launch the intention notice on the WCC portal through to confirming the preferred provider) was six months. However, when the time was taken to develop the actual tender specification, establish the procurement procedure to be used, develop a draft contract and run the procurement processes itself then this time increased to over ten months.

**A lack of capacity around management:** compared to other early SIBs coming from the CBO programme the Reconnections SIB has a smaller amount of resources allocated to its management and coordination. At the time of writing this report the project manager for the SIB was employed one day a week to push forward its coordination. Although this project manager is supported by a range of other stakeholders (including staff at Worcestershire Country Council and Social Finance) the level of resources used to ensure the SIB's early development was comparatively low.

**Levels of innovation:** A payment by results mechanism is generally perceived as being helpful in stimulating innovation in terms of the approach to delivery. Although the contract with the provider is tightly defined in terms of the outcomes it needs to achieve and the payments attached to those outcomes, it is not normally prescriptive in terms of the type of activity required to achieve the outcomes. This is the case for the Worcestershire Loneliness SIB where the contract is relatively light in terms of the actual service which lonely people in the area will receive. However, there was some debate about whether the bid stimulated proposals with sufficient innovation – and whether this should have arisen from providers or could have been enhanced by a different procurement process.

However, the level of innovation has increased during the procurement process to satisfy the commissioner and innovation has also become apparent during the early parts of the implementation phase of the programme. This includes being more innovative around the use of volunteers as well as being more flexible in relation to how they reach out to promote the service to GPs (a key referral route for the programme).

## Procurement

A key issue highlighted by most of the stakeholders consulted during the in-depth review relates to the procurement process.

Open procurement was perceived to give more influence to the commissioner rather than the possible provider. Having some form of competition in the procurement process allowed the commissioner to stipulate the shape and nature of the programme, particularly in terms of who the target group should be and the nature of the outcomes to be achieved. A more closed procurement process was seen to give less leverage to the commissioner particularly in terms of negotiations linked to outcomes.

The open procurement was also seen to encourage the provider to submit a 'better offer' by potentially introducing a possible level of competition from other bidders which in turn could stimulate more innovation, better value for money or more cost effectiveness. An open procurement process was also seen as being more transparent and robust in terms of Local Authority procurement processes linked to a service likely to (eventually) cost the public purse a significant amount of money.

However, the open procurement process in the case of the Worcestershire SIB only cumulated in one tender- led by Social Finance and Age UK Herefordshire & Worcestershire. This largely came about because the consortium which was developed for this single bid was broad and generally well developed containing many of the obvious organisations that any programme which tackled loneliness in Worcestershire should contain. In addition, any other potential bidder may have also been aware that the commissioner had been in dialogue with a particular set of bidders for a long period of time which may have deterred them from developing a bid.



## Lessons learned

There are a number of lessons to learn from the Worcestershire Reconnections SIB for the wider SIB market to draw on:

**Consult with possible providers/ intermediaries early on:** A Local Authority procurement process can restrict the amount of dialogue that potential tenderers have with the commissioner once an invitation to tender is launched. It is therefore important for the commissioner to have open dialogue with a range of interested parties before any procurement process starts. If the commissioner is generally only speaking to one set of potential bidders and then launches an open procurement process the likelihood of this cumulating in a number of competitive bids will be reduced. Talking to a range of potential stakeholders before launching a complex public procurement process is often seen as good practice in order to ensure that as many bidders as possible consider putting in a tender. Although the commissioner held an open 'Marketplace engagement day' once the procurement process was launched perhaps more could have been done to reach out to potential bidders earlier on in the process.

This open dialogue with a range of stakeholders carried out by the commissioner will also be helpful in 'soft testing' the market in order to understand the extent of interest from one or more potential bidders. If this process shows that only one bidder/ consortium is likely to come forward then this again will help the commissioner consider their options around the type of procurement process required. Alternatively, the commissioner could decide to form a partnership with investors and then jointly hold an open procurement for a provider. In the case of the Worcestershire Loneliness SIB, the commissioner engaged with a specific intermediary and provider early on and then, after two years, went to out open tender. Another lesson linked to the procurement process was around the co-production of a SIB which sometimes happens between the commissioner and provider/ intermediary. To some extent, the early development work of the Reconnections SIB often mirrored a co-production process where the commissioner, intermediary and provider worked together to develop the case and the outline design of the SIB.



**Setting up a SIB is resource intensive:** the time and effort required to develop the loneliness SIB in Worcestershire has been significant. This is partly because of the nature of the SIB which requires a more thorough and robust early phase to understand need, outcomes and cost savings. The time taken to establish and develop new relationships, often with organisations that are 'unknown' (i.e. investors) again takes up time during the development phase. Although all stakeholders interviewed stated that the effort has been worth it, it does show that the time needed to plan and develop a SIB can be lengthy.

*“Although its been worth it- the development process was somewhat long-winded.”*

**Development costs can be high:** An important benefit of SIBs is perceived to be their ability to test new interventions or the application of preventative approaches in areas where they have not been tried before – in this case to reduce loneliness and isolation. However, it is clear that in this case the untried nature of the SIB and the need to develop a cost-benefit analysis on the value of reducing loneliness (analysis which had never previously been undertaken), led to it incurring what could be perceived as relatively high development costs. This is something that needs to be considered when developing a SIB in untried and 'new' areas. When assessing the sometimes high development costs of a SIB there is also a need to consider whether these costs are relative to the return on the investment (i.e. that high costs will actually lead to an intervention that brings about high levels of savings, high levels of outcomes, etc) and the extent to which the evidence base can be used by other commissioners (i.e. the evidence base can be used to support the development of other SIBs). If the evidence base can be used (or replicated) by others who are looking to develop a similar loneliness service or another similar SIB then the high development costs are less of an issue. It is too early to say whether the evidence base for the Reconnections SIB will be utilised by others.

**Invest in strong research early on to engage with the Commissioners:** Commissioners were engaged with this SIB early on because the 'case for loneliness' was strong and the research showed clearly the costs, issues and metrics of 'investing' in loneliness. The commissioners in this SIB were generally impressed with the existing research, data and evidence put forward in the early stages of the SIB which led them to be much more interested in the SIB compared to other possible interventions (which were less well evidenced). 'Doing your homework' early on to develop the research is therefore an important aspect of commissioner engagement, especially if the proposed SIB is in an area where an prevention intervention has not been tried before, or there is limited evidence of costs and benefits.

**SIBs are a positive way of testing interventions:** There are a number of aspects of the SIB mechanism which shows that they are a positive method in which to try out new types of interventions to tackle certain social problems (in this instance on loneliness):

- They can provide new forms of upfront finance in a time when there is very little additional funding for anything outside of the core and immediate concerns of an organisation (in this instance the local authority and NHS). In the case of Worcestershire, it was seen as being unlikely that the Local Authority or the NHS would have been able to 'find' the level of finance which the SIB has been able to generate in the short to medium term.
- The SIB allows for more piloting because it allowed for a 'new' loneliness intervention to be tested with little in the way of financial risk for the public sector. If the pilot showed that the intervention did not work (i.e. no or little outcomes were achieved) then the public sector would not have to pay.



## What are the other interesting elements of this SIB?

It is worth noting that there is no outcome payment related to a reduction in secondary healthcare costs arising as a result of reductions in beneficiaries' levels of loneliness, despite the fact that the reduced use of secondary healthcare was a key priority for commissioners. Other health-related SIBs (for example the Ways to Wellness SIB) have used a specific fall in, for instance, costs to hospital services, unplanned admissions and A&E services as an outcome that the programme has to hit before a payment is released.

Interestingly, based on the strength of the evidence, the commissioners are assuming that a fall in levels of loneliness will directly lead to a fall in the costs of healthcare. There is a significant amount of research being undertaken to seek to assess if the intervention is actually reducing health costs with an evaluation led by the Personal Social Services Research Unit at the London School of Economic. This should enable a better assessment as to whether the continuation of the programme or future SIBs should move to that approach or continue to use reductions in loneliness points as a simpler proxy for improvements in health and care and reductions in resource use.

It is also worth noting that payments to the primary and secondary providers are not tied to the achievement of outcomes (with the exception of a very small incentive payment to secondary providers). This means that the SPV is taking all of the delivery risk. Although this seems to be a standard approach in a SIB type model, it is still interesting to note that the early SIBs coming through the CBO programme seem to be allowing VCSEs to take advantage of the SIB model without taking any large scale risks. Instead payments to the providers are agreed in advance, although they can be varied on a quarterly basis linked to the number of beneficiaries referred to the service (defined as a beneficiary who has received some form of support through the SIB). Although there was some early discussion between the SPV and the provider to investigate whether a results based delivery model could be instilled within the provider's contract this idea was dropped because of the following two reasons:

- The financial risk that the provider would need to take was deemed to be too much for a VCSE to agree to. Although Age UK is one of the larger CVS organisations, any model which puts financial risks onto the VCSE sector was seen to be unworkable in practice - particularly when the SIBs delivery model also included a large number of smaller VCSE organisations who had little in the way of financial reserves available.
- Any model with high financial risk focussed on the provider may encourage perverse incentives where the provider would be more likely to focus their attention on 'easier' to support beneficiaries whilst at the same time discouraging them to work with harder to reach individuals.

Despite the above two points, it needs to be remembered that the national Age UK organisation has subsequently invested in the SIB element of the programme although it has no direct links with Age UK H&W as a provider in the programme. Although Age UK National are a separate entity from Age UK Herefordshire and Worcestershire it is also interesting to note that this SIB includes a national VCSE as an investor which is generally rare compared to other SIBs (who generally have specialist fund managers, foundations, and trusts as their investor).



## Conclusions and areas for investigation for future in-depth reviews

There are a range of lessons learnt through the first in-depth review of the Worcestershire loneliness SIB which others can learn from. The programme has in many ways simplified some of the more complex issues found in other health related SIBs. Firstly, because the co-commissioning arrangements involved both the local authority and CCGs/ NHS, then any complex issues around the Local Authority potentially paying for outcomes that the NHS will benefit from (through cost savings) are dispelled.

Secondly, the Worcestershire loneliness SIB did not have an outcome payment related to the reduced cost of secondary healthcare services occurring as a consequence of the intervention. Some other health related SIBs have tied payments to this outcome metric and only pay when there is specific proof that there has been a fall in costs<sup>9</sup>. Although this might simplify the payment process (i.e. there is no need to prove whether costs have actually been saved before a payment is made) there is an interesting debate about whether a SIB should specifically have a payment outcome which links to a fall in costs (and savings of the public purse) in the medium to long term. Arguably, without linking payments to cost saving there is a risk that the SIB will achieve its outcomes but does not reduce health care costs and therefore does not save the local authority or NHS any money, meaning the intention to pay for the outcome payments through the cost savings accrued would not happen.

The CBO evaluation will revisit the project in 2018 to explore its progress over the first two years of its delivery. During this next phase, specific areas we will wish to explore will be:

- How is the SIB model effecting the delivery of the service? - Is the financial mechanism leading to any different or improved approaches to the way lonely people are supported? In particular, is it encouraging innovation?
- How is the programme overall performing against its outcome payments and the number of beneficiaries supported?
- What does the research show in terms of the level of savings that the SIB is creating for the Local Authority and the NHS? Do the cost savings cover the outcome payments? Do the actual benefits of the intervention match those identified in the initial research, the perceived strength of which was an important factor in the SIB being commissioned.

## About this report

This in-depth review report is the second of a series being produced as part of CBO Fund Evaluation, commissioned by the Big Lottery Fund and undertaken by Ecorys UK and ATQ Consultants. The CBO Fund aims to encourage the development of SIBs and similar financial mechanisms. The report is based on a review of documents provided by stakeholders and consultations with key stakeholders involved in the SIB, including representatives from the commissioners, intermediaries, providers and investors. Consultations took place early on in the intervention delivery phase at the end of 2015. The report will be updated in subsequent years to provide an account of the SIB's progress. In total, the evaluation will produce in-depth reviews of ten SIBs part-funded through the CBO Fund. More information about the overall CBO Fund Evaluation can be found here: <https://biglotteryfund.org.uk/research/social-investment/publications>

<sup>9</sup> For example, in the Ways to Wellness SIB includes an outcome payment around a 22% reduction in the annual secondary care costs of a cohort of patients compared to the patients in the comparison group.

