



# Evaluation guidance

## Commissioning Better Outcomes and the Social Outcomes Fund

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You can find out more about the Big Lottery Fund, our values and the funding programmes we run by visiting our website: [www.biglotteryfund.org.uk](http://www.biglotteryfund.org.uk)

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- Increasing the supply of capital into the market – for example, through developing the potential for retail investment, and promoting London as a global hub for social investment
- Growing the demand for capital – for example, through increasing the capacity and capability of social enterprises to take on investment, as well as supporting the development of SIBs through our specialist Centre for Social Impact Bonds
- Creating an enabling environment for investment to occur – for example, through tackling the regulatory barriers to social investment in the UK and exploring new legal forms of investment structures to catalyse the market.

You can find out more about the Cabinet Office and our social investment work here:

[www.gov.uk/government/policies/growing-the-social-investment-market](http://www.gov.uk/government/policies/growing-the-social-investment-market)

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# Introduction

This guidance provides additional evaluation guidance for organisations applying to Commissioning Better Outcomes (CBO) and the Social Outcomes Fund (SOF).

Social Impact Bonds (SIBs) are a relatively new social investment model. Whilst they are becoming increasingly popular, there is a limited amount of learning currently available about the model.

We believe there is potential for considerable amounts of learning to come out of each SIB supported through CBO and SOF, provided there are robust evaluation arrangements in place. We want this learning to be available to organisations interested in developing future SIB models to help them plan and develop more robust projects.

When developing your application you need to make sure that:

- your full application explains how you will address the evaluation priorities and strands outlined in this document,
- you understand our open data policy requirements for sharing information and learning, and
- you are aware of the external evaluation commissioned by the Big Lottery Fund.

# Evaluation guidance

## Evaluation Priorities

The evaluation priorities for the outcomes funds include:

- ▶ Did the SIB lead to a more effective service (i.e. better outcomes)?
- ▶ Did the SIB lead to savings for the commissioner? To what extent were these savings cashable?
- ▶ Did the SIB lead to savings that fell wider than the commissioner? How large were these?
- ▶ How large were the overall net benefits (or costs) of the SIB?
- ▶ To what extent were the benefits and costs driven by the SIB mechanism rather than the intervention?
- ▶ To what extent have commissioners' skills and confidence increased with regard to the development of SIBs?
- ▶ To what extent has early intervention and prevention undertaken by delivery partners to address deep rooted social issues, and help those most in need, increased?
- ▶ How many more delivery partners have been able to access new forms of finance to reach more people? And what are these new forms of finance?
- ▶ what are the main advantages and disadvantages of commissioning in this way?
- ▶ what are the main risks?

To capture as much learning as possible on these priorities, each SIB will need multiple strands of evaluation. Details of these will be assessed during our consideration of any full application to CBO and SOF.

To meet these evaluation requirements you will need to identify a baseline (information gathered about the current situation for your beneficiaries at the start of your project) or a counterfactual (what would have happened in the absence of an intervention), so that you can then measure progress/distance travelled in terms of impact on those beneficiaries.

We do not include more information about this here, as it should have been developed as part of your SIB design. However, establishing a robust baseline is important in evaluating how successful the project has been. You can obtain more information about these in HM Treasury's Magenta Book – Guidance for evaluation (baselines paragraph 5.21 and counterfactuals at 2.8/box 2.b).

## Evaluation Strands - Summary

Bids to the outcomes funds should discuss the following evaluation strands:

- ▶ Regular performance reports
- ▶ Process Evaluation
- ▶ Impact Assessment
- ▶ Cost Benefit Analysis
- ▶ Final Report

Each of the strands is explained in more detail in this guidance.

The work required under each separate strand is likely to be a factor in determining whether that strand and the evaluation as a whole will be completed internally or procured externally.

Throughout this guidance we give an indication of the type of organisation that may be best placed to carry out each strand of the evaluation. We recognise that each SIB is different, however; and so the evaluation requirements will depend on the SIB itself.

## Open Data Policy Requirements

A key objective of the CBO and SOF is to capture learning about SIBs and make this available to people or organisations that are considering developing a SIB. This could be a local authority considering the costs of using a SIB; a provider, thinking of bidding to deliver an intervention under a SIB; or an investor, interested in the risks and returns associated with SIB investment. It is therefore, a condition of the outcomes funds that funded projects agree to share data generated by the SIB.

If you have concerns about this please contact us at: [sioutcomesfunds@biglotteryfund.org.uk](mailto:sioutcomesfunds@biglotteryfund.org.uk)

## External Evaluation

The Big Lottery Fund (The Fund) has engaged Ecorys as an external evaluator to carry out elements of the process evaluation on SIBs funded or part-funded through CBO. Information about the content of this evaluation is available on the Big Lottery Fund's website at [www.biglotteryfund.org.uk/sioutcomesfunds](http://www.biglotteryfund.org.uk/sioutcomesfunds)

We strongly advise you to familiarise yourself with this evaluation before you complete your application form. If you are funded by the Big Lottery Fund, we will expect you to ensure that your project evaluation doesn't duplicate the work carried out by Ecorys so it may affect any future project planning. The Fund will be sampling information from CBO-funded projects and will require access to evaluation information and raw data related to these projects, their SIBs and their evaluation processes.

## Evaluation Strands – Regular Performance Reports

Performance reports are regular updates on the number and extent of outcomes being achieved which gives CBO and SOF an indication of the success of your project, as well as the level of outcomes payments that will need to be made.

For example, if the SIB aims to stop people reoffending in the first year of their release from prison, the report will specify how many service users have achieved this goal, and how many haven't. Robust monitoring data, captured through regular performance reports, will form an important part of any wider evaluation of the SIBs funded through CBO and SOF as we will be able to monitor the effectiveness of the different types of SIB funded.

Regular Performance Reports – Key Details	
Timings	Quarterly, bi-annually or annually (depending on the proposition) for the life of the project. Timings may vary through the life of the project.
Detail	<p>These reports will provide you and us with details of outcomes achieved at each stage of SIB implementation and delivery. They could also capture:</p> <ul style="list-style-type: none"> <li>● the number of people starting the scheme</li> <li>● geographical area</li> <li>● success against secondary or wider measures of success</li> <li>● total payments made</li> <li>● details of previous placement and costs</li> <li>● characteristics of people and other demographic information</li> <li>● numbers of the cohort that were unsuccessful</li> <li>● drop out from cohort before the end of the intervention</li> <li>● destination after leaving the intervention</li> <li>● dates of birth and addresses</li> </ul> <p>A robust Data Protection policy will need to be in place for the handling of any personal details.</p>
Best done by?	The commissioner, as they will need to collect and verify this information to make their own payments in the SIB. This will require a robust Data Protection policy.
Links to other strands of the evaluation	Impact Assessment. Once the project has ended this detail can be collated to form part of the Impact Assessment as it will give an indication of the effectiveness of the project.

## Evaluation Strands – Process Evaluation

A process evaluation documents what happens in a programme (or initiative), helping to understand why the programme produces the results it does. It can be used in the continuous improvement of a programme and looks at the way a programme is set up, the relationships between all its constituent parts and stakeholders, and how that affects the results it achieves. The process evaluation should include the key qualitative evaluation. This qualitative evaluation will involve gathering the views of all the main groups engaging with the SIB, including the commissioner, providers, intermediaries, investors and service users. These will add detail to the quantitative evaluations being produced by the SIB and will enable a more accurate interpretation of overall results.

Process Evaluation – Key Details	
Timings	This is likely to be completed in two parts: an interim report focussing on set up (done shortly after the set up) and a final report at the end of the project.
Detail	This will normally be a primarily qualitative evaluation rather than a quantitative one and should be done through in-depth gathering of the views of key stakeholders involved in the SIB from the investment, commissioning, provider, service user and intermediary perspective. It will need to have several aspects as illustrated by the example from Peterborough set out below.
Best done by?	An external, independent expert who has experience in this type of evaluation. The expert may also complete the subsequent impact evaluation. They are also one step removed from the process and so may be more objective in their analysis.
Links to other strands of the evaluation	Cost Benefit Analysis (CBA). The process evaluation may also incorporate quantitative cost data, when and if these become available. This should enable it to better inform the focus of the CBA to ensure that it will focus on the same areas and allow interpretation of CBA data. There could also be a feedback loop so that the outcomes from the process evaluation feed into what the CBA analyses.



## Evaluation Strands – HMP Peterborough Process Evaluation Example

To give an idea of what the different parts of the process evaluation could consider we suggest you reference the interim process evaluation report published by the Ministry of Justice (MoJ) in relation to the SIB project at HMP Peterborough.

This report is available on the MoJ [website](#).

## Evaluation Strands – process evaluation sample questions

We have developed a set of questions in consultation with SIB developers which should helpfully inform your evaluation work.

The following questions could be asked of a range of key people involved in the SIB including, the investor, provider, Intermediary across disciplines (finance, policy, professional, legal) and seniority (senior commissioner leadership, people providing the service, facilitators).

### Suggested questions for the Interim Process Evaluation Report:

What were the strengths and the weakness of the SIB model as contracted?

Review of contracting

- ▶ Assess relationships between parties and how they differ from usual procurement including: the commissioner and provider; the provider and investor; and the commission and investor. This could also include SPVs, SIFIs and other parties.
- ▶ Which parties were involved in which stages of contracting and procurement.
- ▶ The ease and extent of negotiation.

Capacity

- ▶ Level of resource and skill-set across different stakeholders. Impact on ability to contract and implement SIB.
- ▶ What are the key risks and which party took which risks?
- ▶ Examples could include implementation or outcome risk, risk of poor or inappropriate referrals, or risk of lack of referral to the service.

Setting up the SIB

What were the barriers/challenges to setting up the SIB in terms of:

- the key parties involved i.e. commissioners, investors and providers
- legal issues e.g. procurement regulations?

How were the barriers/challenges overcome?

- ▶ What went well in the set up of the SIB?
- ▶ What was the context that the SIB was set up under?

Technical aspects of the SIB

What were the technical challenges of setting up the SIB in terms of:

- identifying and specifying the cohort
- measuring the effectiveness of the intervention (baseline or counterfactual)
- measuring the outcomes
- making payments
- perverse incentives.

## Investment

- ▶ How easy was it to raise investment for the SIB?
- ▶ Type and motivations of investors (e.g. philanthropic vs non-philanthropic, mission of investor, grant vs investment, financial return)
- ▶ What were the barriers to investment (e.g. measurement of outcomes; illiquidity i.e. no secondary market; fiduciary responsibilities of trustees). What would make investment more appealing – particularly when there is a role for Government (e.g. tax incentives)?
- ▶ What was the cost of capital? How did this relate to the amount of payments based on upfront fees for service as opposed to outcomes payments?
- ▶ How was investment raised?

## Suggested questions for the final process evaluation report:

### The SIB mechanism

- ▶ What were the advantages/disadvantages of delivering policy this way?
- ▶ Did delivering the intervention as a SIB improve or reduce its effectiveness?
- ▶ To what extent did the technical aspects of the SIB help or hinder the achievement of outcomes?
  - identification and specification of the cohort
  - measurement of effectiveness (e.g. baseline and counterfactual)
  - measurement of outcomes
  - perverse incentives
- ▶ Flexibility: how did the delivery model change during the life of the SIB?
- ▶ How well did the outcomes paid for relate to the desired outcomes? Was this an issue?
- ▶ Were multiple outcomes paid for? Should there have been more or less?
- ▶ Did the SIB lead to a data driven approach? Was this helpful?
- ▶ Which party took which risks and how did this differ from how risk was considered to be distributed when the SIB was set up?
- ▶ How would the commissioner do the SIB differently if they did it again?
- ▶ Would the commissioner consider doing another SIB?

### The Intervention

- ▶ Was the intervention specified or was an approach taken? What was the outcome of this choice?
- ▶ Was there a market of potential providers? Was it competitive?
- ▶ How did the provider find delivering a SIB? Would they consider doing it again?
- ▶ How did the intervention fit alongside existing and statutory services?

# Evaluation guidance

## Investment

- ▶ What was the level of investment capital required to support the Social Impact Bond?
- ▶ Was there recycling of investment capital? Please detail this.
- ▶ What performance management levers did investors hold?
- ▶ How actively did investors' performance manage providers?
- ▶ What return did investors achieve? Was this in line with expectations?
- ▶ Would they be interested in further SIB investments?
- ▶ Was there a cap on outcomes payments? What was the result of this?
- ▶ Could any payments have been made earlier to reduce the capital requirement and improve value for money?

## Innovation

To what extent did the SIB lead to innovation in terms of:

- the focus on outcomes or improvement of outcome measurement
- use of new (to commissioner) intervention(s), leading to different interactions between stakeholders including commissioners, providers, third parties e.g. better join-up of services / partnership
- new organisations bidding to and delivering public services
- ongoing changes to delivery generating new evidence on interventions
- more tailored treatment within cohort i.e. variable interventions
- the way services for this group have previously been delivered
- the basis on which previous payments for services have been made
- procurement processes that have previously been undertaken
- the SIB models that have been delivered in other areas
- the investors that are engaging with social issues.

## Learning and doing things differently

- ▶ What could be done differently to, for instance, make the SIB more effective, efficient or to maximise its impact?
- ▶ What needs to be in place to complete a SIB like this?

## Evaluation Strands – Impact Assessment

The impact assessment should aim to understand how effective the project was at achieving its aims. For example, if it aimed to reduce the number of days children spent in care, then did it do this and to what extent?

Impact Assessment – Key Details	
Timings	This element can only be completed once all outcome payments have been made but monitoring data to support this could be built up through annual review.
Detail	<p>The key question in this report is: How, if at all, did the intervention lead to better outcomes? This will require qualitative evidence as well as quantitative evidence and can be broken down into a set of sub questions:</p> <ul style="list-style-type: none"> <li>▶ Was there a change in the outcomes of the cohort?</li> <li>▶ How big was this change?</li> <li>▶ How much of the change could be said to have been caused by the intervention as opposed to other factors?</li> <li>▶ How did any changes vary across different individuals, stakeholders, sections of society, and how did they compare with what was anticipated?</li> <li>▶ Did any outcomes occur which were not originally intended, and if so, building on the qualitative evidence you have gathered to support this hypothesis, what and how significant were they?</li> <li>▶ You also need to link back to programme outcomes for the outcomes fund(s) you are supported by as detailed in <a href="#">programme guidance</a>.</li> </ul>
Best done by?	Ideally this would be completed by a qualified, independent, external evaluator. It could alternatively be done by the commissioner as part of normal project evaluation, considering the extent to which the SIB achieved the aims set out in the business case and whether more SIBs should be done, if it has sufficient in-house expertise.
Links to other strands of the evaluation	This will draw on the results from the performance reports. It will also add more background and detail such as the service provided before the SIB and the assumptions around <a href="#">deadweight</a> (deadweight being a measure of the amount of outcome that would have happened even if the activity had not taken place).

In a standard policy evaluation the Impact Assessment is the only way of judging how effective an intervention is. It is designed to work alongside the policy but not be a part of the policy. This is fundamentally different in a Payment by Results (PbR) approach. In a PbR approach the judgement of the

impact of an intervention is a key part of the scheme. This is because judging the impact of the scheme will decide how much providers are paid. As such under a PbR scheme the impact assessment may well be split into two parts.

## Evaluation Strands – Impact Assessment: Part 1

The first part of the impact assessment will be designed as part of the SIB. It should include the outcomes that are required, how they will be measured and how the commissioner will decide whether it was the intervention that caused the change or whether it was an external factor. This design should run throughout the project as a core part of it. Once the project is up and running, the first part of the evaluation will therefore be automatically generated as outcomes are achieved, recorded and paid for. This would normally be reported in the regular performance reports referenced on page 4 of this guidance.

The design of the SIB in terms of the outcomes, the cohort, the baseline and the counterfactual (where the counterfactual differs from the baseline) will need to be robust in order to ensure that the commissioner is genuinely paying for additional results. If designed correctly the proposition will also generate useful data. A good discussion of impact assessment design is contained in the [HMT Magenta Book](#), specifically Chapter 9.

Critical aspects of SIB outcome design include:

- ▶ The cohort should be large enough to generate statistically significant results. The actual size of the cohort depends on the variability of the data. High variability requires a larger cohort to generate significant results.
- ▶ There should be some measure of what would have happened in the absence of an intervention (i.e. a counterfactual). The most robust way of doing this would be through a randomised control trial, quasi-experimental design or synthetic control group (although these approaches are not always appropriate). Historic baselines can be used, but these are less robust than the former methods. As such they are more likely to lead to errors in measuring impact of the intervention and outcomes payments.
- ▶ The effects of the intervention should be significant compared to changes caused by external events. For example, if the majority of the change in a cohort is not related to the intervention (i.e. results contain a lot of statistical “noise”) it is difficult to tell what the effect of the intervention is. This is summed up in the table below (from the Magenta Book):

Experimental power vs strength	Weak design Poor counterfactual or none at all	Strong design Realistic counterfactual Estimate
<b>Low power</b> <b>Small number of observations and/or policy effect small relative to “noise”</b>	Unlikely to detect difference between groups or over time. And even if we do, we have no confidence in attributing it to the policy.	Unlikely to detect difference between groups. But if we do, then we have confidence in attributing it to the policy.
<b>High power</b> <b>Large number of observations and/or policy effect large relative to “noise”</b>	Very likely to find a significant difference between groups but this does not mean it can be attributed to the policy.	Very likely to find a significant difference if there is a real policy effect. We have confidence in attributing this difference to the policy.

### **Evaluation Strands – Impact Assessment: Part 2**

The second part of the impact assessment should aggregate the data from the first part to provide an overall evaluation of the impact of the intervention. Key questions could include:

- ▶ What is the overall effect of the intervention both in terms of outcomes achieved and how much of this could be attributed to the intervention?
- ▶ How long are outcomes measured as part of the payment mechanism?
- ▶ Is there a requirement to continue to measure outcomes beyond the payment period? How will this be done?
- ▶ How effective was the baseline or counterfactual in hindsight?
- ▶ What was the impact of the scheme on wider social outcomes?
- ▶ In hindsight, how strong was the link between outcomes paid for and outcomes sought?

## Evaluation Strands – Cost Benefit Analysis

The CBA aims to compare the total costs of the project to the total benefits. It should include items for which the market does not provide a satisfactory measure of economic value (e.g. the costs of poor social outcomes such as increased crime).

Cost Benefit Analysis – Key Details	
Timings	This can only be completed once impact assessment has been done.
Detail	The CBA is a calculation of all of the benefits of the project and of all the costs of the project. These will be put into monetary terms and summed so that the costs can be directly compared to the benefits to evaluate whether the benefits justified the costs.
Best done by?	This could be done by the commissioner as part of its normal project evaluation to consider the extent to which the SIB achieved the aims set out in the business case and whether more SIBs should be done. It could also be done by an external evaluator.
Links to other strands of the evaluation	This will use the impact assessment to understand the effectiveness of the project and then attach costing to this.

Illustrative questions that should be able to be answered using the CBA are:

- ▶ What was the cost to the commissioner of setting up the SIB?
- ▶ How did the SIB mechanism add costs to delivering public services (e.g. transaction costs, investor premiums, changes in process)?
- ▶ What was the total cost of the project for the commissioner in terms of outcomes payments?
- ▶ What were the total benefits of the project for the commissioner in monetary terms?
- ▶ What were the savings to the public sector of the SIB that did not fall to the commissioner?
- ▶ Which elements of the total savings were cashable? How were these savings realised? How difficult was this?
- ▶ How do the costs and benefits of the project compare to the costs and benefits of the previous arrangements/ or of doing nothing?
- ▶ How much did the commissioner spend per outcome? Did this represent value for money?
- ▶ To what extent have commissioners' skills and confidence about the SIB process and its development increased? Are they likely to use the process again? To what extent has early intervention and prevention undertaken by delivery partners to address deep rooted social issues and help those most in need increased?
- ▶ How many more delivery partners have been able to access new forms of finance to reach more people? And what are these forms of finance?
- ▶ To what extent has the SIB enhanced collective understanding of how to develop and deliver future successful SIBs?

Attaching monetary figures to all the outcomes of the project can be difficult. Guidance on this and broader principles of CBA can be found in the [HM Treasury Green Book](#)

## Evaluation Strands – Final Report

This report pulls together the other evaluations, synthesising primarily the findings of the CBA and the process evaluation to provide a final view of the project in a single report.

Final/Synthesis Report – Key Details	
Timings	Either at the end of the project or when the outcomes fund(s) payments are finished.
Detail	This will aim to synthesise and make links between all the information gained through the different strands of evaluation, including use of the process evaluation to interpret the CBA, as well as bringing out lessons learned.
Best done by?	This could be done by the commissioner as part of normal project evaluation, considering the extent to which the SIB achieved the aims set out in the business case and whether more SIBs should be done. It could also be done by an independent external evaluator.
Links to other strands of the evaluation	Draws on all other strands of the evaluation.

Illustrative questions that could add value if addressed in the final report are:

- ▶ Did the project meet its objectives?
- ▶ Did the project meet the objectives of the CBO and SOF?
- ▶ Has the SIB shown the intervention to be effective?
- ▶ Would the commissioner consider running the intervention without the SIB? Why?
- ▶ What explained the effectiveness or otherwise of the intervention and SIB?
- ▶ What difference did the project make to the commissioner's ability to convince other budget holders that future contribution has benefit to them?
- ▶ How could the SIB or intervention be changed to improve performance?
- ▶ Did the results of the evaluations consistent or contradictory? What is the reason for this?
- ▶ How do these results fit with other research in the area?

- ▶ Could the intervention be rolled out more widely or even nationally?

### Further Information

If you want to discuss your ideas with respect to evaluation with us before you submit your full application, then you can send an email to: [sioutcomesfunds@biglotteryfund.org.uk](mailto:sioutcomesfunds@biglotteryfund.org.uk)