# Introduction to Social Outcomes Contracts



# **Public Services**











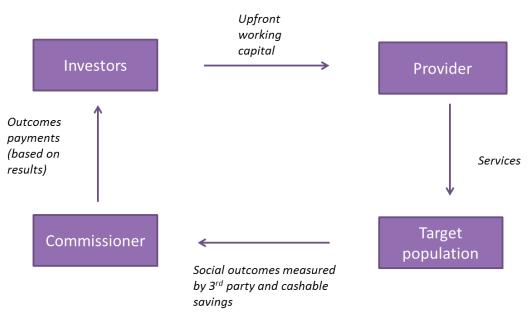


# What is a Social Outcomes Contract? (SOC)



A Social Outcomes Contract is an alliance of commissioners, delivery partners and socially motivated investors whose incentives are aligned to deliver a service that improves people's lives.

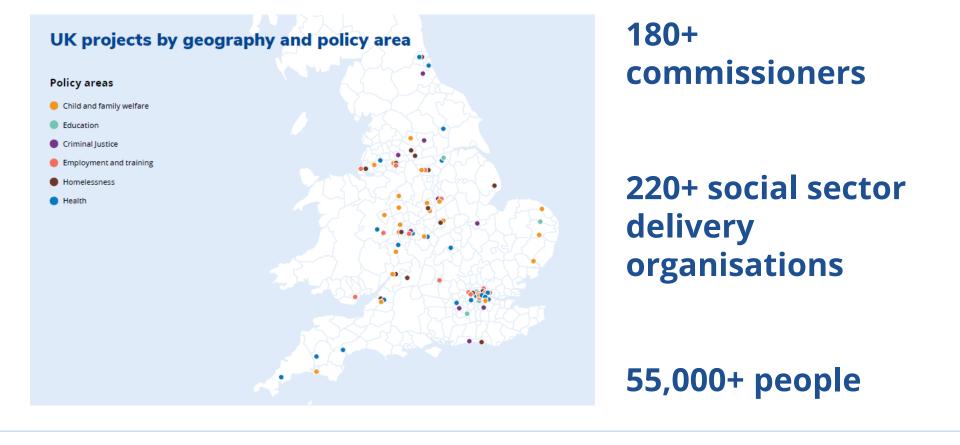
- Commissioners: usually local and central government agree to make payments in future years on the evidence of positive social outcomes.
- > **Delivery Partners:** usually charities and social enterprises provide the services that produce the outcomes.
- Socially Motivated Investors: often philanthropic foundations or private funders seeking an impact as well as low commercial return provide the working capital for the delivery providers, this is at complete risk unless better outcomes at better value are achieved.
- > SOC is an evolution of what we used to refer to as Social Impact Bonds.



# **Outcomes Across the UK**

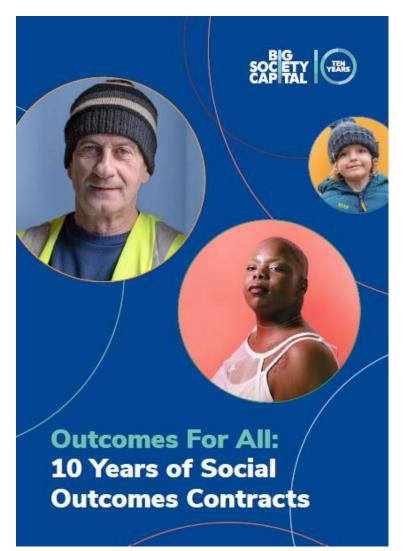


The UK has established itself as the global leader of the social outcomes contract model, with 90 projects successfully launched to date - the highest of any country - and many governments across the world are looking to emulate the approach.



# **Are SOCs Effective?**



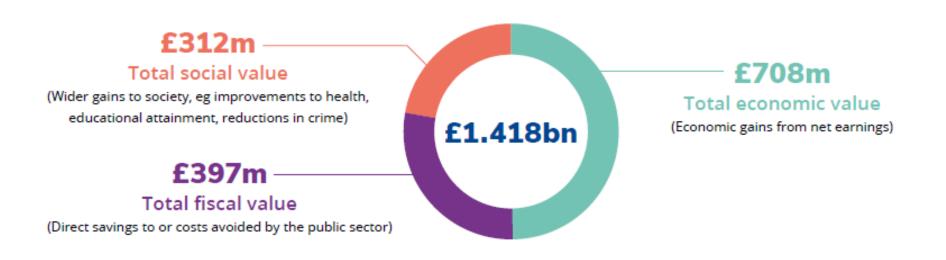


Although there are many rigorous studies and evaluations of individual SOCs or groups of SOCs, there has not been, to date, a published analysis on the impact generated by the UK SOCs market as a whole.

Big Society Capital therefore commissioned ATQ Consultants in 2022 to conduct an independent assessment of the total public value that has been created so far by SOCs in the UK.



Independent analysis published in 2022 of projects to date in the UK has shown that over £1.4 billion of public value has been created by outcomes achieved to date, at a cost of just under £140m to commissioners. That means for every £1 that government has spent a further £10 of public value has been created, nearly £3 of which is fiscal (cash saved and costs avoided).



## What drives effectiveness in a SOC?



### Collaborative Design

From:

To:

Programmes designed centrally – often in isolation from other parts of government – and implemented in a top-down way

#### Flexible Delivery

Fixed-specification contracts, delivered to rigid budgets, for groups of people with identical "needs" or "problems"

#### Clear Accountability

Arms-length contracts with limited visibility on progress, success, or key learnings

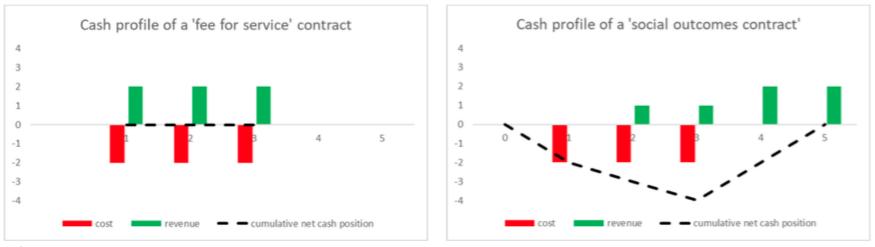
Projects that are collaboratively designed, and designed to be collaborative Flexible, personalised services that constantly evolve and improve as they learn High quality, secure, objective data, with deep independent research into what is and isn't working

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# **SOCs and Social Investment**



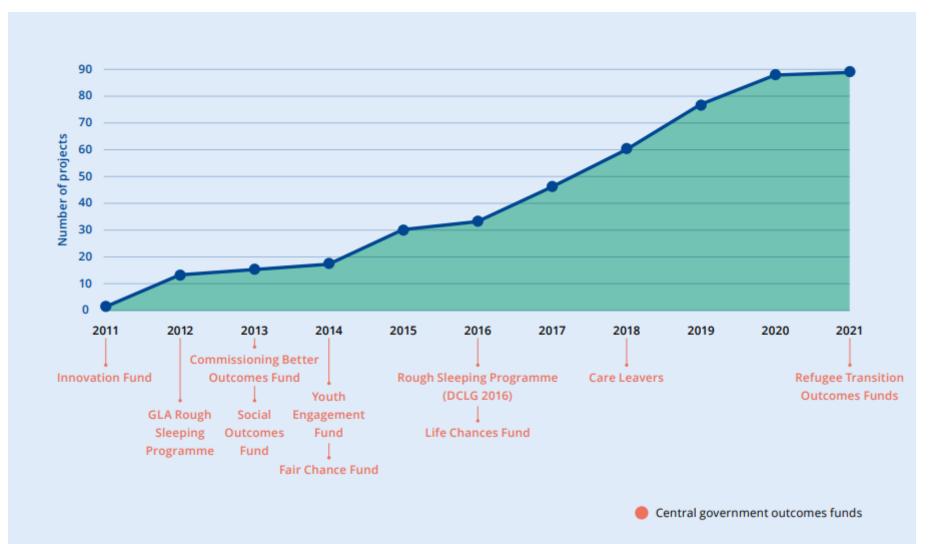
- Paying for outputs and outcomes creates a need for working capital.
- > Delaying payment forces the bidders to raise capital to deliver the programme.



<sup>\*</sup>Source: Andrew Levitt, Bridges Fund Management

- As of Dec 31 2022: £74.5m of capital has been committed to SOCs in the UK from a wide range of investors.
- SOCs are attractive to a wide variety of investors for a number of reasons.
- Yet, SOCs remain a relatively small part of the outstanding UK social investment market (~1%).

# Central Government has been crucial to the growth of the market to date in the UK



# **Raising awareness of SOCs to Government**





























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Previously known as social impact isoline, these contracts are a norm or puzzlic service commissioning where upfront investor capital is used to pay local delivery organisations to tackle complex social issues – such as homelessness and unemployment – with Government funding only released when successful outcomes are achieved.

When private assets

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Social outcomes contracts have saved millions in public funding, BSC report claims



Payment-by-results contracts have generated £10 in social, economic and fiscal value for every £1 the government has spent on them since 2011, a report by Big Society Capital has claimed.

The Outcomes For All report found that in the past decade £130m invested in 72 social outcomes contracts (SOCs) has generated £1.4bn of fiscal, social or economic value, of which £307m are direct savings to or costs avoided by the public sector.



Social outcomes contracts have saved government almost £400 million, study shows





Innovative form of public service commissioning shown to have generated millions in financial savings for the Government

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