SOCIAL BRIDGING FINANCE – NO RISK, MORE CHANGE

The Robertson Trust, Scotland's largest independent funder, is on a journey to test and build an innovative funding model which has the potential to transform how public sector, third sector and funders work together. Director Kenneth Ferguson explains.

Since 2012, The Robertson Trust, like many funders, has been looking at ways in which our resources can be used to encourage innovation and sustainability of preventative services.

It is this journey which led us to the development of a new finance model, Social Bridging Finance (SBF), borne from a recognition that, as a funder, innovation around how we fund may be the key to effecting such long-term change.

SBF aims to encourage innovation and a shift to preventative spend through bringing together a working partnership of public sector, third sector and funders which plays to each partner's strengths.

It works by enabling grant funding from independent funding sources to support and de-risk the initial demonstration phase of an evidence-based service. While there are, of course, similarities with other more established models of achieving change in public systems, such as public social partnerships and social impact bonds, the critical threefold difference is the combination of a binding contract between partners, the provision of new risk money, and the removal of a requirement to repay the funding.

With the principles of the model having been tested successfully in projects in Glasgow (MCR Pathways) and Dundee (Dundee Includem Raising Attainment Project), we are now keen to test the model further in 2019. We are in the process of finalising the details of three £2 million demonstration projects which will be used to evaluate the model as a whole over the next three years.

The aim is to produce learning for a comprehensive suite of information and 'how to' materials. It is our hope that these will then be used by other funders to implement SBF and, in turn, help to effect public sector reform across Scotland and further afield.

BACKGROUND TO SBF

In light of the Christie Commission's roadmap for public service reform in Scotland and the increased focus on preventative spend, public service providers have, within an environment of austerity, faced the challenge of finding ways to sustain funding for existing service delivery while simultaneously trialling new ways of working.

As a result, the need for innovative models that support this shift in delivery and funding has grown significantly, and various models have been developed to promote a move to preventative delivery. In England and Wales, commissioners have increasingly used payment-by-results models (such as social impact bonds, SIBs), whereas in Scotland, co-designing services through public social partnerships (PSPs) has been the favoured model.

While SBF shares certain principles with these existing models, it differs in key respects. Like PSPs, the model intentionally involves third sector delivery partners earlier and more deeply in the commissioning of services, but it works on the expectation that those that evidence their success *will* be sustained, with no requirement for payback to the investor. As mentioned previously, the model also requires the inclusion of a contractual commitment from the public sector to sustain services that successfully achieve intended outcomes during an initial trial phase. Unlike SIBs the contract is 'legal light', amounting to less than 10 pages. We have developed it to be a standard off-the-shelf framework into which users can insert their own details. Also unlike the SIB, our model does not repay money to the funder.

HOW THE MODEL WORKS

The SBF model is made up of the following components:

- **Design** A working partnership is formed between a public sector agency, a third sector organisation and an independent funder to replicate an existing evidence-based model that has been trialled successfully elsewhere or at a small-scale in the existing geography. This service should enable a move from reactive to preventative services and meet an identified need that the public sector body is prepared to fund longer term. The partners agree success criteria at the outset.
- **Contract** A binding contract is signed between the partners to commit the public sector organisation to sustaining funding for the service for a specified period of time if the agreed success criteria are met at the end of the demonstration phase.
- **Demonstration** After an allowance for an initial set-up phase, the service is delivered for an agreed period of time, up to a maximum of three years. During this trial stage, which will be grant funded (this can be from a range of sources, including trusts and foundations, and even the public sector itself), partners can adjust how the interventions are delivered, in order to ensure the best chance of meeting the agreed success criteria. A project board is established with senior representatives from all the partners to ensure strategic level oversight of progress.
- **Evaluation** An 'audit' is commissioned by the partnership and paid for by the independent funder at the outset of the trial period. This evaluation will make an informed judgement as to whether or not the agreed success criteria have been met at the end of the trial.
- **Sustainability** If the external evaluator determines that the agreed success criteria have been met, then the contract sets out the length of time for which the public sector organisation will sustain the service. If the trial period has not been successful, all partners ensure that they take learning from the process and walk away, thus the public sector commissioner faces no risk from the trial as this is carried by the grant funders.

It is important to note that the model can avoid procurement issues through the adoption of the R&D exemption.

TRIALS AND RESPONSE TO DATE

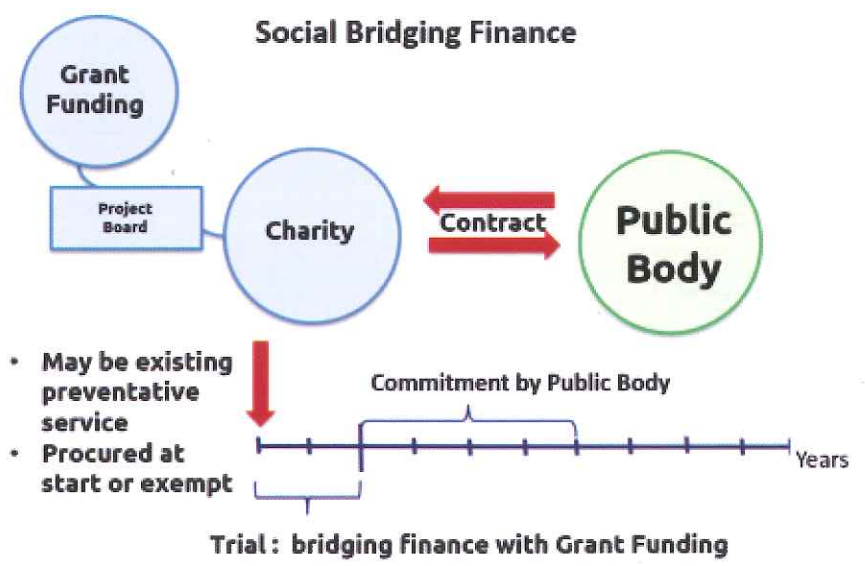
The most high-profile SBF trial so far took place in Glasgow, where a consortium of independent funders, including The Robertson Trust, worked with MCR Pathways and the local council in the delivery of a mentoring programme for young people in the care system.

In this instance, although an SBF contract was signed, Glasgow City Council (GCC) made the decision to move ahead with the roll out of the programme 18 months into the three-year trial, as early outcomes had been so encouraging.

As a result of the trial ending early this example didn't follow all the requisite steps of the SBF model, however it did highlight its potential. Maureen McKenna, Director of Education at GCC, cites SBF as being critical in the success of the project, saying: *"The Social Bridging Finance model has worked exceptionally well for us in Glasgow. We wanted to transform the way we provided support for young people. We needed support to move from where we were to where we wanted to be. This model has allowed us to create a new approach which is now business as usual."*

The project has proven to be a positive test of the principles of SBF and we have been delighted to see the appetite for a further three demonstrations, and the subsequent evaluation of the full SBF process.

This enthusiasm has extended beyond the UK, with international interest in SBF also growing. The model was particularly well-received by a delegation from the China Global Philanthropy Institute, who we hosted in Glasgow towards the end of 2018. Meanwhile, following a presentation of the model at the EVPA conference, the FERD Foundation, based in Norway, is now looking at opportunities for using SBF with Oslo City Council.



GETTING INVOLVED

While we will be sharing our learning throughout the demonstration period, we are also encouraging other funders with an interest in financial innovation to share their own experiences and learning. Our dedicated Linkedin group (http://bit.ly/SBF_Linkedin) is the main tool for this but all resources we create will then be shared on our website and social media channels.

Alternatively, please get in touch with either kennethferguson@therobertsontrust.org.uk or christine.walker@therobertsontrust.org.uk.