

***David Hutchison OBE** is the Chief Executive of Social Finance. Over this period, he has helped build Social Finance from a concept to a team of over 70 professionals drawn from social, public sector and financial backgrounds. Since May 2010, David has been General Partner for the Peterborough Social Impact Partnership – the initiative to finance a programme to reduce recidivism among short sentenced male offenders leaving Peterborough prison.*

We interview David about 10 years of Social Finance, the importance of cross sector partnerships and transparency, as well as the future of social impact bonds.

Social Finance has grown and evolved dramatically over the past decade. What have been some of the greatest learning curves?

In order to make lasting change we have to reconsider the way we think about social problems. We have to understand the causes of failures and build new ways of working that are grounded in this understanding in order to be able to deliver better outcomes. Ideally these new models are designed in a way in which they can be financed sustainably and at scale.

We are also mindful about incorporating learning as it emerges in our work. This will help us to optimise and improve performance, evolve over time, and adapt where necessary. The service is not an end in itself but a means to achieving the outcomes.

Cross sector partnerships

You said in a recent article that ‘sustainable change comes with the harnessing of diverse experience and influence. It requires people and institutions with different perspectives to work in different ways and come together.’ How are you bringing people together in this way?

The way to do this is to convene around an honest appreciation of the problem we are trying to solve. We don’t claim to have a predefined view of the right answer, but we try to convene the experts. These might be people with frontline experience or the beneficiaries of services. We look to them to help us understand the problems they face and the reasons why there has been failure. On this basis we can begin to develop a hypothesis for change.

We encourage open mindedness and for all parties involved to be enthusiastic around the shared focus on improving outcomes. We see ourselves as a facilitator of experts.

Can you give some examples of the benefits and challenges of this?

The incredible experience around the table is a huge benefit. With strong engagement, you can develop a new model for working that is well understood and anchored in the sector. You can build trust amongst the stakeholders that the issues are being explored properly. This opens the gates to funding streams and, with the enthusiasm unlocked through co-design and co-creation, a new way of working gets off to a strong start.

We also see great benefit in giving people the opportunity to speak up who have previously not been heard. Breakdowns in communication are often to do with people feeling as though they are not being understood. This is why it is so important to ensure that those we are trying to support join the discussion.

Transparency

You are an advocate for greater transparency as it is important to learn from one another and hold each other to account. How can we encourage transparency without the fear of advertising failure?

We need to remind ourselves that failure is a healthy thing. So long as it is positioned as an opportunity to learn rather than an indictment of an individual or organisation, it can be positive.

For example, if we look at the [New York social impact bond](#), which sought to reduce reoffending rates of young men. As it did not meet its minimum threshold of a 10% reduction in the first year, the SIB was discontinued. Was the project a failure because it was terminated early? In some ways this might show that a SIB model is working. Would we consider a SIB a failure if returns were too high? Perhaps this was because the SIB was delivering some exciting outcomes. It is very important that when you use the words failure you consider who is it a failure for and whether there is learning to be had.

In terms of transparency, we need to confront the potential tension in the SIB structures between short term activities if these trigger payments, and long-term outcomes. For example, some SIB projects may well deliver a return for the investors because it achieved a number of short term metrics, but there's a question of whether these are a good proxy for longer term outcomes.

The future of social impact bonds

The Civil Society Strategy that has just been released offers a renewed commitment to social impact bonds and social investment. How do you think social impact bonds will shape public services in the future?

It is exciting to see a recognition at the heart of government of the rigour of social impact bonds, as well as an increasing awareness of the social value they can deliver. They allow for better integration of services around people with complex needs and a mechanism by which multiple budgets can be drawn together in a transparent and accountable way.

The challenge will be in the next round of commissioning as deals get larger. It will be important to test the quality of governance around the transactions. Delivering high quality services for vulnerable groups needs strong leadership. This is doubly important, and more difficult to deliver, at scale.

A growing pipeline of SIBs will provide a strong stimulus to the social investment market. To those who are confused about what impact investment is, SIBs - where financial return



is linked directly to the delivery of important and challenging social outcomes - really brings it to life.

What are the plans for Social Finance in the coming years to work on developing more social impact bonds?

We are proud that in this particular area we have been able to convert ideas into real change, since we launched the first SIB back in 2010. We want to continue to work on areas that we have some confidence that the model is workable and appropriate and where we have experience.

We see the intermediary position as critical to bringing partners together; partners that are not used to working together and who need to feel that they are properly represented in the SIB design. This is critical to ensuring that the design process is not captured for the sole benefit of one party - be they investor, commissioner or delivery organisation.

SIBs can be a powerful instrument for social change but they are only effective if they are built and driven with a spirit of strong partnership. In the search for better and more sustainable outcomes, they are also only one tool. It is the change they enable which matters and by which they should be judged.