

## Social Bridging Finance

*Over the course of the years, several innovative financing mechanisms for public service delivery have seen the light, such as payment-by-results models like the Social Impact Bonds and Public Private Social Partnerships. Since 2019, there is a new tool in the social finance toolbox. Social Bridging Finance (SBF) aims for the **long-term sustainability of public services**, particularly those of a preventative nature. To that end, it entails a **working partnership** between a public body, a third sector organisation and an independent grantfunder. The Robertson Trust (TRT), an independent grant-making trust with the mission to improve the quality of life and realise the potential of people and communities in Scotland, has embarked on a **journey** to develop, monitor and evaluate the SBF model. Through this evaluation, TRT attempts to map its potential to sustain evidence-based service delivery, as this would help many practitioners in scaling-up their social initiatives at the national level. In what follows we outline the key characteristics of the SBF model, the similarities and differences compared to the SIB, and potential areas of application.*

### A NEW FINANCE MODEL FOR SUSTAINED SOCIAL INNOVATION

*What, why, how?*

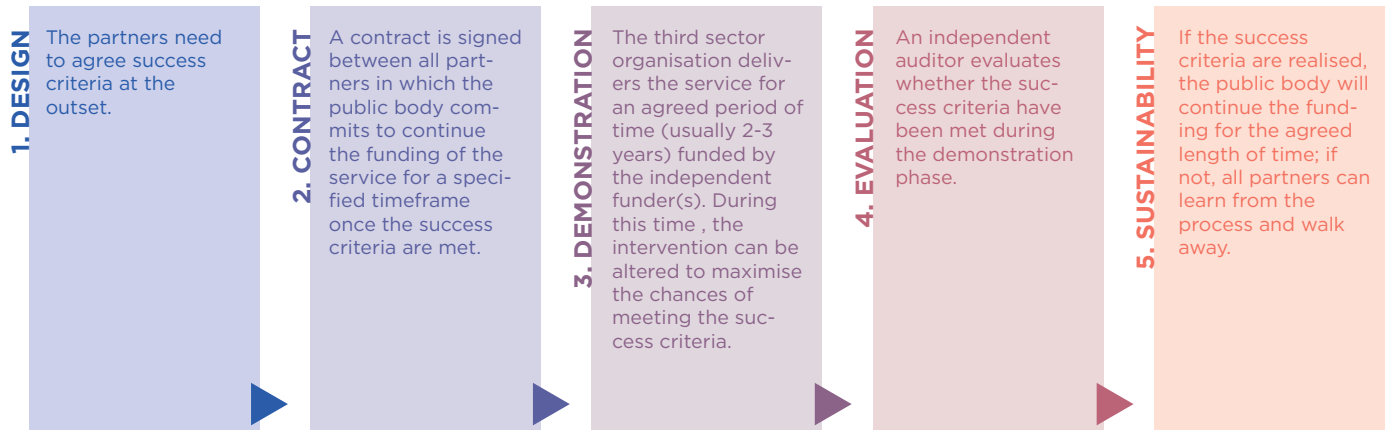
The **Social Bridging Finance (SBF)** model provides a response to several needs in Scotland, which are also relevant for other European countries. Firstly, **duplication** of social delivery models by public, private and third sector need to be minimised and collaboration is required to ensure efficient, effective and sustained service delivery. Moreover, in light of several social crises, such as an ageing population, climate change, as well as the COVID-19 pandemic, public authorities need to direct their spending **from reactive towards preventative** measures, with the motive of “spending to save”. Vehicles such as Social Impact Bonds (SIBs) have arisen in response to these needs. However, The Robertson Trust has identified the lack of **sustained commitment by the public sector** as an hurdle for the success of SIBs.

Social Bridging Finance (SBF) aims to overcome this, enabling long-term sustainability of preventative social innovations. As a social need is identified, a public sector organisation, a third sector service provider, and an independent charitable funder form a **working partnership**. They join forces to replicate an existing

evidence-based service that has been proven to work elsewhere, or at small scale in the respective area for the outcomes.

The process of reaching the desired outcomes is successfully supported by the main distinctive feature of the SBF model; it is the public sector partner that is committing to sustain the projects at the end of the independent grant funding and they have to be absolutely clear at the outset about what they regard as success. At the same time, it is important that the third sector partners can agree to the success criteria which have to capture the public sector partners’ ambitions. The long-term sustainability of social innovations is ensured beyond the initial demonstration phase and this is a result of the fact that public authority have the freedom to be brave and take on social innovations.

## THE FIVE STAGES OF THE SBF



The fact that the grantfunder does not expect repayment for the trial phase, and that the public body pays for the continuation of the service is based on the moral responsibility of a public institution to use the project for achieving a social equilibrium and has the main advantages presented above. At the same time, SBF offers the unique opportunity to the public sector authorities

to implement a preventative service without having to interrupt or stop existing services. Lastly, the longer-term funding available via the SBF mechanism may help delivery organisations to attract higher quality staff and to increase the speed at which their pilot projects can be scaled-up.

### A DIFFERENT STORY

#### *SBF compared to SIBs*

Undoubtedly, the SBF model shares some of its features with social impact bonds (SIBs). Both schemes indeed have at their core a **partnership** between public actors, social service providers and private funders to tackle social issues. However, there are some significant differences. As opposed to the private investor in a SIB contract, the independent funder in the SBF model pays for the demonstration stage of the service **without expecting any financial return**. The public body afterwards sustains the funding of the service, in contrast with a SIB contract where the public authority pays back the private investor for the achieved results, but is not committed to continue the funding of the service after the trial phase. From a technical perspective, an SBF **contract is simpler** and shorter than a SIB one, since there is no need for complicated repayment schemes from the public actor to the funder, nor for the financial quantification (monetization) of social outcomes.

## A GUIDE TO SBF

### *The potential for scaling and replication*

Since the SBF journey started in 2019, The Robertson Trust has agreed to act as independent funder in three demonstration projects each with a different service provider across different areas in Scotland: East Renfrewshire, Dundee and South Ayrshire. These projects are being followed up by an independent evaluator, who

is also fulfilling the auditing function. While the success criteria of the individual projects will be evaluated, at this point it is also crucial to assess SBF as a model overall, in order to identify its success factors and pitfalls, as well as the particular circumstances it is appropriate for.

## LEARNING ALONG THE WAY

The first three demonstration projects have already revealed some learnings to The Robertson Trust and other partners involved.

A key driver for a successful initiation of the SBF model is **clarity of purpose** from the outset, which is enhanced when the service brings benefits to both the participants and the public sector partner (i.e. spending to save), as well a **strong relationship** based on mutual understanding and trust. The **involvement of senior managers** from the public authority and elected members in the SBF project is important in securing the agreement of **commitment**, focusing minds towards **long-term sustainability** from the outset. Moreover, the implementation of a **project board**, with senior members from all three partners, is important for the working partnership to keep everyone involved throughout the process, and to adapt certain parameters if deemed necessary.

Two points of attention surfaced, related to the pre-existing relationship between the public body and the service provider in the three projects. Firstly, there is still a lack of clarity regarding the **procurement options** of public authorities, with various approaches used to date, and further guidance to be developed. Secondly, it is important not to take the success of this model for granted in whichever situation or region, since strong relationships between different partners cannot always be replicated easily.

The Robertson Trust shares these learnings as they go and encourage other independent funders, public sector bodies and third sector organisations to follow their journey. To this end, The Trust has developed, and keeps updating, “A Guide to Social Bridging Finance”, a manual that, by the evaluation’s conclusion in 2022, will provide a suite of information and ‘how to’ materials to guide the implementation of the model for interested parties.

Finally, since this is still the beginning of the SBF story, multiple other applications of the model can still be explored. Can this model work in different settings? Is the relationship among partners the critical factor in bringing success of the model? How about a university taking the role of payment committer, instead of a public authority? This model still has a lot of untapped potential.

## MORE INFORMATION

Learn more about the Social Bridging Finance model here, or contact Terri Merricks, the programme contact at [terri.merricks@therobertsontrust.org.uk](mailto:terri.merricks@therobertsontrust.org.uk).

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