



Derby City Council

COUNCIL CABINET
14 February 2018

ITEM 13

Report of the Cabinet Member for Safeguarding
and Children and Young People

Social Impact Bond for Children in Care and on the Edge of Care

SUMMARY

- 1.1 The Local Authority are exploring the use of Social Impact Bonds (SIBs) to support children and young people on the edge of care or in care.
- 1.2 Quality and type of care provision has a significant impact on a child/young person's life, and care provision is an area of high cost for the Local Authority, with growing complexity of need and national shortages of provision.
- 1.3 Social Impact Bonds are an alternative form of social investment, increasingly used to fund service improvements, involving local authorities, investors and providers. Payments are made based on outcomes being met, rather than traditional methods of service funding. They also bring additional investment into a local area as a means to invest into interventions which would not normally be affordable.
- 1.4 SIBs have been used in Social Care by a number of Local Authorities to fund impact based models, for example, Essex, Manchester and Birmingham. There are benefits to Derby considering entering into a joint social investment approach with Nottingham City Council and Nottinghamshire County Council.
- 1.5 By working with other funding sources and other Local Authority partners, this will bring interventions into Derby which would be more difficult otherwise. Other benefits include risk sharing and enabling better value for money, as outlined in this report.
- 1.6 Whilst it is recognised there are benefits with the SIB model, as this is a relatively new and innovative approach, there are potential risks as outlined in the report. These will be further considered during the procurement and engagement process.
- 1.7 A major pressure on the People's Directorate budgets relates to high-cost external placements. The Social Impact Bond is part of our strategy to find placement interventions which improve outcomes and that are better value for money. As such is it part of our work in relation to the Council's Medium Term Financial Plan (MTFP).
- 1.8 This report requests initial approval to proceed with a joint procurement between Derby City Council, Nottingham City Council and Nottinghamshire County Council, to consider the scoping and development of a Social Impact Bond to support Children in Care and on the Edge of Care.
- 1.9 During the procurement process, regular update reports will be provided to the Cabinet Member for Safeguarding and Children and Young People, and a full report

will be presented to Council Cabinet for consideration at the end of the procurement process. These progress reports will outline potential risks and benefits as these become clearer during the procurement process, which is likely to be in Summer 2018.

RECOMMENDATION

- 2.1 To approve proceeding with the development of a final social investment proposal to the Life Chances Fund.
- 2.2 To approve entering into a tri-partite agreement with Nottingham City Council and Nottinghamshire County Council to govern the inter-authority arrangements in respect of the proposals set out in this report.
- 2.3 To approve being party to a procurement with Nottingham City Council and Nottinghamshire County Council (lead) to secure an investor(s) and/or provider(s) to deliver services/outcomes for children and young people in line with the requirements of the Life Chances Fund.
- 2.4 To note a further detailed report will be presented to Cabinet to consider approval for Derby City Council to establish a Social Impact Bond with Nottingham City Council and Nottinghamshire County Council.

REASONS FOR RECOMMENDATION

- 3.1 The initiative facilitates improved outcomes for children on the edge of care, or in care, which are some of our most vulnerable and challenging young people.
- 3.2 The initiative uses outcome based commissioning which incentivises better value for money by focussing on positive outcomes, and joint commissioning which intends to reduce individual local authority risk and provides benefits through economies of scale.
- 3.3 Reducing costs for children in care are a priority for the Local Authority, with external care costs for children exceeding £12m per annum.
- 3.4 Local Authority costs should be reduced by:
 - payments only being made when outcomes are met, which are focussed on care which is at a lower cost but continues to provide a positive outcome; and
 - a contribution of 25% of the outcome payment stream being secured from the Life Chances Fund.
- 3.5 A further report will be provided to Cabinet for consideration requesting final approval to proceed prior to contract award, expected in Summer 2018.



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Report of the Strategic Director for People Services

SUPPORTING INFORMATION

- 4.1 Over the past 5 years, a number of Local Authorities have used social finance as a means of securing additional investment for services for children and young people. The Local Authorities include Birmingham, Essex and Manchester. The latter two were used to increase access to interventions to reduce entry into care, or offer enhanced foster care placement.
- 4.2 Social Impact Bonds (SIBs) are a form of social investment and can be used to fund service improvements. Investors fund the costs to deliver an improvement to a service, and the Local Authority makes payments to the investor on the outcome delivered for children and young people.
- 4.3 SIBs work in the following way:
- a) The Commissioner (i.e. the Local Authority) determines what outcomes they require from the service/intervention.
 - b) Investors front the initial cost of service/intervention.
 - c) Providers are commissioned by the investor and paid to create new types of support and achieve the outcomes specified.
 - d) Where outcomes are met, the Local Authority pays for achieving the outcomes:
 - investors get their investment back plus an agreed interest percentage, and;
 - Councils should achieve savings (where the outcome has financial benefits to the Local Authority).
 - e) Where outcomes are not met, the Local Authority does not pay.
 - Investors absorb this risk and will not get their investment back. This means that there is a strong emphasis on backing very promising models only.
- 4.4 The benefits of a SIB are that investors and their partners are incentivised to deliver better outcomes for children and young people, having the freedom to adapt their services using evidence-based approaches.

- 4.5 Derby is working with Nottingham City Council and Nottinghamshire County Council to develop a Social Impact Bond for services/interventions supporting children and young people:
- 1) on the edge of care, reducing the need for them to enter care; and
 - 2) in care, supporting them to achieve placement stability in a family setting, including 'step down' from residential homes.
- 4.6 By working with other funding sources and other Local Authority partners, this will bring interventions into Derby which would be more difficult otherwise. These interventions may be holistic, wraparound tailored packages of flexible support for foster carers and the young person, and/or therapeutic, holistic interventions which focus on building stronger family relationships. These may be either licenced interventions, or those developed by organisations themselves which have a demonstrable track record of sustained success.
- 4.7 The benefits to Derby of this joint SIB approach are:
- a) it targets improved outcomes for some of our most vulnerable and challenging young people;
 - b) it enable access to evidence-based interventions which Derby would be unable to afford as a sole commissioner;
 - c) the risk is shared across three Local Authorities, and as there is a more critical mass of young people the overall risk is lower for an authority the size of Derby; and
 - d) where there is good engagement from key staff, this type of approach has been shown to generate savings.
- 4.8 Additionally, the Life Chances Fund can be used to fund part of the outcome payment for services/interventions delivered. An 'in principle' award of up to £3m (based on 25% of £12m outcome payments) across all three Local Authorities has been granted.
- 4.9 To proceed with the development of the social investment proposal, the Local Authority needs to enter into a procurement to secure an investor(s) and/or provider(s) to deliver the required outcomes.
- 4.10 This process is expected to take a number of months to conclude, at which point the implications for the Local Authority will be clearly defined. A further report will be presented to Cabinet for consideration and requesting approval to proceed prior to contract award, which will also be subject to Life Chance Fund final approval.
- 4.11 A tri-partite agreement, setting out responsibilities and obligations between the three Local Authorities will also be put in place.

OTHER OPTIONS CONSIDERED

- 5.1 Remove Derby from the joint initiative. The opportunities to further explore positive outcomes would not be achieved. This would also impact on the other Local Authorities.
- 5.2 Submit a Derby City-only bid. This was not undertaken due to the significant benefits of risk sharing and economies of scale.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	Emily Feenan, Principal Lawyer Alison Parkin, Head of Finance, People Services n/a n/a Frank McGhee, Service Director Integrated Commissioning (Children and Young People), People Services Gurmail Nizzer, Acting Service Director, Integrated Commissioning (Children and Young People), People Services Laura Rose, Category Manager, Peoples Services Judith Russ, Head of Childrens Safeguarding
For more information contact: Background papers: List of appendices:	Lisa Melrose, Head of Integrated Commissioning for Children and Young People, People Services, 01332 642569 lisa.melrose@derby.gov.uk None Appendix 1 – Implications

IMPLICATIONS

Financial and Value for Money

- 1.1 With a SIB model, investors provide upfront investment on which they would expect to make a return.
- 1.2 The outcome payments made by the Local Authority would be instead of existing expenditure for children in care placements. It is also expected savings will be made by outcomes resulting in fewer children and young people being in care, and/or in residential care.
- 1.3 An 'in principle' offer of £3m in total was made by the Life Chances Fund (towards all three Local Authorities). This represents 25% of the expected total outcomes payments (£12m in total envisaged), and based on combined 410 service users, there are potential savings over six years.
- 1.4 It is recognised that this approach is untested across the three local Authorities, therefore a cautious approach to any potential savings is recommended at this time. The scheme would run for four years and outcome payments are typically paid for up to two years if success is sustained, therefore the scheme would run for up to six years.
- 1.5 It is envisaged initial set-up costs to Derby are £30k, including intermediary support (sector experts to shape the specification and related processes), project management and legal costs.
- 1.6 It is important for social care to be fully committed to the outcome payment approach. A risk is that the outcome would perhaps have been recognised without the intervention, resulting in a commitment to an outcome payment unnecessarily. This risk will be reduced by a robust assessment and authorisation process at the referral stage, as it is the referral which triggers the outcome payment. This would also need to be considered upfront when procuring services, as services will be considering their expected outcomes/payments. Mitigation measures will be considered in detail during the procurement process.

Legal

- 2.1 A compliant procurement process for an investor(s) and provider(s) will be required. This is being undertaken jointly with Nottingham City Council and Nottinghamshire County Council.
- 2.2 A tri-partite agreement is required, setting out the responsibilities and obligations of the three local authorities in relation to each other, and in relation to the contract with the investor/provider.
- 2.3 Specialised legal advice has been secured on behalf of all Local Authorities involved.

- 2.4 Further legal implications will become identified as the initiative progress, which will be outlined in further reports.

Personnel

- 3.1 The lead authority for the Social Impact Bond is Nottinghamshire County Council, with an internal project team established by Derby City Council.
- 3.2 Additional resource implications for Derby will be considered during the procurement process.

IT

- 4.1 None noted.

Equalities Impact

- 5.1 The initiative will support some of our most vulnerable young people.

Health and Safety

- 6.1 None noted.

Environmental Sustainability

- 7.1 None noted.

Property and Asset Management

- 8.1 None noted.

Risk Management and Safeguarding

- 9.1 A good system with reduced risk will require:
- clearly and correctly defined outcomes,
 - payment levels accurately linked to alternative support costs, and
 - referrals from a defined cohort of children and young people.
- 9.2 The model works on a payment by results basis, such that payments are not made if outcomes are not met. This will, therefore, require accurate determination of (potential) costs, which is difficult with early intervention models.

- 9.3 If outcome payments are set too low, investors will choose not to invest. If outcome payments are set too high, or outcomes are determined that are not clearly linked to finance streams, the system could cost the Local Authority more.
- 9.4 Buy-in is needed from key internal social care staff to ensure that the right referrals are selected, which matches the modelled cohort. If the right number and type of referrals are not selected, the system could cost the Local Authority more as the savings will not accrue.

Corporate objectives and priorities for change

- 10.1 The initiative supports the following corporate priorities:
- protecting vulnerable children and young people and
 - delivering our services differently.
- 10.2 Preventative work aimed at reducing the number of children in care, and reducing the cost of high cost placements, remain key priorities for People's Services and the wider Council.