



**CHILDREN & YOUNG PEOPLE'S SCRUTINY  
REVIEW BOARD  
22 February 2021**

# ITEM 06

Report sponsor: Gurmail Nizzer, Director for  
Children's Integrated Commissioning  
Report author: Katie Evans, Commissioning  
Manager

## **Social Impact Bond Programme Update (STARS)**

### **Purpose**

- 1.1 The Local Authority is working in partnership with Nottingham City and Nottinghamshire County Councils to deliver an evidence-based service that support children on the edge of care and in care called STARS (Supporting Children and Young People To Achieve Resilience).
- 1.2 The contracted funding model for STARS is via a Social Impact Bond (SIB). These are a 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 in interventions which would not normally be affordable in a local area.
- 1.3 The SIB is part of our strategy to find placement interventions which improve outcomes and that are better value for money, in line with the Council's Medium Term Financial Plan (MTFP).
- 1.4 This report provides an update to the Scrutiny Board of progress and outcomes achieved through the STARS programme to date, outlines the current position and priorities and emerging themes.

### **Recommendations**

- 2.1 To note the performance of the STARS Social Impact Bond programme to date.
- 2.2 To note the forecasted savings in the MTFP.

### **Reason**

- 3.1 To provide an update to the Scrutiny Board as part of the 2020/21 work plan.

## Supporting information

- 4.1 Derby City Council, working in partnership with Nottingham City and Nottinghamshire County Councils, has established the use of Social Impact Bonds, which are a form of social investment.
- 4.2 From the 29 October 2020, services were contracted with Outcomes for Children (The Polaris Group), the delivery agent and Futures Limited, the private investor. The evidence-based interventions delivered by Outcomes for Children support children and young people on the edge of care and in care and their carers. The desired outcome is to achieve better social outcomes through achieving stable family-type placements and, where possible, to remain at home with their families.
- 4.3 The interventions are holistic, wrap-around tailored packages of flexible support for foster carers and the young person, and/or therapeutic, holistic interventions which focus on building stronger family relationships. They may be either licensed interventions, or those developed by organisations themselves which have a demonstrable track record of sustained success.
- 4.4 The interventions support young people who:
  - a) currently live in residential care, supporting them to step down to foster care;
  - b) are currently living in foster care and at a high risk of placement breakdown or at risk of entering residential care, supporting them to remain in stable foster care;
  - c) are currently 'looked after' by the Local Authority but whom the Local Authority is seeking to re-unify with their birth family or primary carers; or
  - d) are currently defined as being on the 'edge of care' (i.e. at risk of being taken into care) and supported to remain safely with their families/primary carers.
- 4.5 The STARS Programme will help more than 66 Derby City children and young people over four-year period during which individual cases may be referred to receive interventions and support. Outcomes for the young people are tracked for a further two years.
- 4.6 The funding model is via a Social Impact Bond (SIB). These 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 on delivery of a successful outcome, rather than payment on service delivery. They have been used to fund social initiatives in Essex, Manchester, Somerset and Birmingham.

4.7 The advantages of funding these services through a joint SIB model are:

- An outcome-based approach incentivises investors and their partners to deliver better outcomes for children and young people, giving them freedom to adapt their services using evidence-based approaches;
- The joint approach enables access to evidence-based interventions which Derby would be unable to afford as a sole commissioner and shares risk across the Local Authorities;
- A contribution to 25% of the outcome payments has been contracted with the Life Chances Fund for the partnership.

4.8 Following signing of the contract on 29 October 2020, the STARS Programme has made good progress towards year 1 targets. The current enquiries and referrals for Derby are listed below against year 1 referral targets.

The number of children and young people worked with as of 15 January 2021 is shown in the table below.

<b>SIB Cohort Type</b>	<b>Year 1 SIB No. referrals target</b>	<b>No. of SIB enquiries processed</b>	<b>No. Professional Meetings held</b>	<b>No. Referrals progressed by Outcomes for Children</b>
<b>A - Residential Step Down to Foster Care</b>	<b>3</b>	6	2	1
<b>B - Foster Care Stability</b>	<b>7</b>	7	6	3
<b>C - Reunification with Family</b>	<b>3</b>	3	2	1
<b>D- Edge of Care</b>	<b>5</b>	2	2	0

4.9 Next steps are to identify further referrals and track and report monthly the outcomes, and financial impact for the children and young people on the SIB STARS programme.

4.10 The service has continued to be delivered throughout the Pandemic.

## **Public/stakeholder engagement**

5.1 Young people were consulted as part of the programme design which fed into the service specification.

## **Other options**

6.1 N/A

## Financial and value for money issues

- 7.1 With a SIB model, social investors provide upfront investment which funds the service delivery, on which they would expect to make a return.
- 7.2 The City Council current forecasted overspend is exceeding £8.5m per annum on placement costs. The SIB model provides support and interventions to children to either prevent them from coming into local authority care, to stabilise their current placements from escalating into high cost complex placements or to support children currently in residential care to step down to foster care. These interventions will help improve outcomes for children and are expected to also lead to cost savings of circa £4 million over the life of the contract of which £1 million is from reduction in placement costs and £3 million cost avoidance.
- 7.3 The savings from the SIB form part of the Medium term Financial Plan for Derby City Council. The following table shows the forecasted savings to be realised over 4 years.

		Year 1 Proposed Saving £000's Contracted started October 2020	Year 2 Proposed Saving £000's	Year 3 Proposed Saving £000's	Year 4 Proposed Saving £000's	Total Saving
Social Impact Bond	A reduction in the costs of placements for looked after children as their care packages are stepped down from high cost residential packages to supported foster care.	-£113	-£296	-£364	-£364	-£1,137

- 7.4 The savings listed in the table above for the MTFP were calculated at the point of the bid submission 2017/18 on the cost of the difference of the average annual external residential placement and average annual external foster care placement minus the outcome payment to Outcomes for Children.

The average annual costs at the start of the SIB contract at the end of October 2020 were:

- £252,616 – External residential placement (£4,858 per week);
- £44,408 – External fostering placement (£854 per week).

- 7.5 The outcome payments made by the Local Authority would be made only where the interventions are successful. The award of a £3 million which will be split between the 3 Local Authorities through the Life Chances Fund will make a 25% contribution towards the required outcome payments.
- 7.6 These payments commence once the intervention has been undertaken and the placement has been stable for 3 months. Once the outcomes payments commence, they will be closely monitored to ensure that the placements remain stable and outcomes achieved.

- 7.7 The Local Authorities have a contractual commitment to refer a minimum number of children/young people to the Contractor; minimum numbers of referrals have been agreed for each Authority for each cohort. In the event that an Authority fails to achieve its minimum referral level in a specific cohort (and neither of the other Authorities is able to fill that referral), the Authority will be liable to pay a minimum referral volume payment to the Sponsor.
- 7.8 Within the tender questions DN2, have stated that “in the case that referrals for each cohort do not meet the contractual minimum volumes, DN2 will pay a default sum for each referral below the minimum, equal to 100% of the tariff multiplied by the lower of the tendered success rate or the actual success rate for each cohort”.
- 7.9 This is an unlikely scenario, however, to mitigate against any default costs, we have undertaken extensive data analysis for each cohort and scrutinised the data to understand the referrals we have committed to each year and will deliver against.
- 7.10 The Programme funding is currently due to end October 2024.

## Legal implications

- 8.1 None in relation to this report.

## Climate implications

- 9.1 N/A

## Other significant implications

- 10.1 N/A

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal		
Finance	Janice Hadfield	28 01 2021
Service Director(s)		
Report sponsor	Gurmail Nizzer, Service Director, Integrated Commissioning for Children and Young People	28 01 2021
Other(s)	Lisa Melrose, Head of integrated Commissioning, Children and Young People	28 01 2021

  

Background papers:	n/a
List of appendices:	n/a