

DERBYSHIRE COUNTY COUNCIL**CABINET****22 February 2018****Report of the Strategic Director for Children's Services****Stepping Down Children with Disabilities from Residential Care to Foster Care Utilising a Social Impact Bond – (Young People)****1. Purpose of the Report**

To provide information to Cabinet on a feasibility study into the opportunities and costs to 'Step Down' children with disabilities from external residential care to foster care by utilising funding provided from Social Impact Bonds (SIBs)

2. Information and Analysis**a) Background**

Credo Care, a not-for-profit independent fostering agency specialising in the care of disabled children, approached the Council in September 2017 to explore the submission of a joint Expression of Interest (EoI) to the Life Chances Fund (LCF). The LCF's overall objective is 'to help people in society who face the most significant barriers to leading happy and productive lives. It will do this by increasing the number and scale of Social Impact Bonds (SIBs) in England, making it easier and quicker to set up a SIB; generating public sector efficiencies by delivering better outcomes and using this to understand how cashable savings are'.

Central Government promotes SIB's as a public/private sector-shared opportunity to design and deliver innovative services that achieve public good using private sector start up and revenue investment. The intentions are to improve customer outcomes and, also for the investor, to achieve a financial return on investment through the injection of private sector expertise and rigour in public sector service design, service delivery, contracting processes, cost assumptions and provider selection. The opportunity for a Payment by Results (PbR) financial return is offered by contracting the Provider/s to deliver pre-determined customer outcomes in timeframes that 'make the difference' to customer cohort 'life chances'. The private investor expectation is the gap between past and new service delivery costs, plus, a share of

anticipated PbR outcome bonuses will make a return on their service start-up and revenue investment.

The Life Chances Fund will contribute up to 20% of contracted PbR outcome payments to both incentivise and to also acknowledge public purse savings that will accrue beyond the public body investing resources into developing and operating a SIB.

Learning from elsewhere is that inexperience in SIB contracting has resulted in providers and investors achieving a greater-than-anticipated share of savings. Issues identified as part of the procurement of SIBs have been:

- Failure of commissioners to engage with council procurement services at an early stage
- Ill-defined customer cohorts leading to accusations that providers 'cherry pick' cohort customers, leaving the most challenging and expensive customers within a cohort to be responded to by public sector services
- Numerous and ill-defined PbR outcomes leading to accusations that providers concentrate on delivering inexpensive, easier-to-achieve outcomes
- Overestimating referral and service take-up rates
- Contracts that did not anticipate changes to government policy and also public sector restructuring that re-defined customer cohorts and service entitlements.
- The resource to develop the SIB, contract manage, monitor outcome, respond to demands from the investor and required evaluation contract, is disproportionate to savings achieved.
- That overall, the provider and private investor are more 'business savvy' than public sector personnel and lead the SIB process to their advantage.

The Children in Care Sufficiency Board is identified as the project governance structure and reports monthly to Children's SMT.

b) The Expression of Interest

The EoI submitted by Credo Care, in partnership with the Council, proposed to step down (over a three-year period) 12 children with disabilities from private and independent residential care to specialist foster care, in order to both improve outcomes for children by providing family-based care and to reduce each individual placement cost. It also proposed to appropriately route children on an escalating trajectory towards residential care into foster placements. The provisional maximum anticipated savings could be up to £98,020 p.a. per child, based on reducing placement costs from the minimum annual residential cost of £181,221 to a minimum estimated fostering cost of £83,200.

On 13 October 2017, Credo Care and the Council were notified of the success of their joint bid, followed by confirmation of £24,500 grant funding to undertake a joint feasibility study to be submitted to the Life Chances Fund by 30 March 2018 answering three key step down questions:

1. Can outcomes for disabled children be improved without causing harm?
2. Will the proposed service change accrue savings for the Council?
3. Is a Social Impact Bond the right vehicle?

The feasibility study will establish the needs, volume, placement movements and cost of current children in external residential care that are either registered as disabled, open to the disability team, or have a SEN/EHCP plan. Derbyshire Parent Carer Voice is consulting with parents and carers, while children's perceptions of residential and foster care are being sought through the disability team. In addition the placement destination of young adults within the profile that left residential care over a two year period will be ascertained. This work informs the feasibility study to enable improved forecasting about the cohort of children that might step down into specialist foster care. In addition Credo Care intends to utilise its marketing approach to better understand its ability to increase the local volume of foster carers that could care for a disabled children.

CCG's part fund some residential placements through the Section 75 budget and are participating by commissioner attendance at the feasibility study project group. The Council's offer to neighbouring authorities to also participate in the feasibility study was not taken up.

The SIB journey stages to delivery are described as:

- Feasibility Study - the testing of ideas, capacity and appetite to develop services to tackle outcomes
- Development Stage – engagement with partners to co-design the business case and define the operating model and service specification
- Implementation - procure and implement the service
- Operation - manage the contract and respond to changes in the service
- Evaluation - obtain detailed service data to evidence what works and inform future service development.

There is no commitment by the Council to Credo Care beyond the feasibility study to be jointly designed by the Council and Credo Care or Bridges Fund Management named in the Life Chances Fund EoI as an interested investor. However, the advantages of early inclusion of a private investor are early discussions around financial return, PbRs and payment scheduling.

Derbyshire has not previously developed a costed service with one provider and an investor and it has been identified that further advice will be required in relation to the proposal. The Office for Public Management has been contracted to support the public sector through the challenges of SIB development. The contract is overseen by the Big Lottery Fund.

3. Financial Considerations

A grant of £24,500 has been awarded to Credo Care towards the costs of the feasibility study. From this grant, £12,000 will be allocated to Children's Services to establish key information prior to making a decision with Credo Care on whether to proceed further with the Social Impact Bond. The feasibility study will look at the needs and circumstances of disabled children currently in residential placements and the opportunities and required investment to establish a pool of suitably skilled foster carers.

By the stepping down of children with disabilities from residential care to foster care, there are potential savings for the Authority. However the amount and timing of any savings cannot be estimated at this stage. More detailed placement costs and how these could potentially change would be modelled in the development stage. This would also consider additional SIB costs such as staff time, alongside items such as aides or adaptations and transport to school costs.

4. Legal and Human Rights Considerations

The Children Act 1989 requires the Council to provide accommodation for any child in need within their area who appears to them to require accommodation as a result of a number of different circumstances.

As corporate parent, the Council will only intend to step down children when it is in their best interests to do so.

The Director of Legal Services has advised that external legal advice may be required to support the procurement process in relation to the provision of a SIB if the initial feasibility study suggests that there is potential for the adoption of this model. The cost of any advice will need to be included within the cost of the project.

5. Social Value Considerations

SIB's aspire to improve outcomes for vulnerable groups by injecting private sector finance and rigour into public sector contracting processes.

6. Human Resources Considerations

There are no Human Resources implications as the Council's intention is the Step Down of children placed in out-of-county private and independent residential provision, into the Independent Fostering Agency Sector.

7. Strategic Director's Recommendations

That Cabinet:

1. notes the grant allocation to undertake the feasibility study;
2. receives a further report outlining the findings of the feasibility study to be submitted to the Life Chances Fund on whether to support the project to the Development Stage.

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