

DERBYSHIRE COUNTY COUNCIL

CABINET

17 May 2018

Report of the Strategic Director for Children's Services

Social Impact Bond 'Step Down' Project – (Young People)

1. Purpose of Report

To seek Cabinet approval:

- (i) to proceed from the feasibility study to the Development Stage of a Step Down Social Impact Bond (SIB) subject to Life Chances Fund (LCF) approval of the feasibility study and a commitment by LCF to contribute outcome payments; and
- (ii) to undertake a procurement exercise to seek a specialist foster provider for children with disabilities.

2. Information and Analysis

At its meeting on 22 February 2018 Cabinet approved the submission of a joint Expression of Interest (EoI) from the Council and Credo Care to the LCF to partner in delivering a feasibility study into the step down of disabled Derbyshire children from residential to foster care. (minute number reference 62/18).

The Council is not in a position to deliver the service for the provision of specialist foster care for disabled children internally. A prolonged recruitment campaign has not increased fostering capacity for children with disabilities. This has led to some young people entering unnecessarily into high cost residential care. 70% of children living in residential care at October 2017 had previously been fostered but the fostering placement had not been sustained and it is to be expected that unless new long term foster bed capacity is created, the Council will continue to have insufficient foster beds to support children with

disabilities. In addition, unless more effective specialist foster placements and improved support is available, a high percentage of step down placements may ultimately break down.

The feasibility study strongly indicates that a SIB model has the potential to improve outcomes and decrease costs. A SIB model is a form of outcome based contract where social investment is used to finance delivery and take the risks of outcome success. A SIB model in this context, which is predicated on sourcing new specialist foster homes to care for specific disabled children, has the potential to improve outcomes and decrease costs. This finding is underpinned by the feasibility study, which covered the following:

1. consultation with children and parents/carers of children with disabilities;
2. quality and volume of new interest sourced through the project foster care recruitment pilot;
3. needs analysis of 38 children under age 16 living in agency residential at October 2017;
4. findings about social work and child step down perspectives;
5. anticipated schooling costs for children with additional needs accessing a Derbyshire education placement;
6. foster placement costs;
7. social investor financials informed by Credo Care 'reaching out' to an active social care investor.

Outcome payments against longevity incentivises the success of end-to-end placement processes. The social investor will be repaid the start-up and revenue funding from anticipated savings against residential costs at 6, 12 and 18 months. Further work to mitigate against any contract perverse incentives will be fully explored in the commissioning and procurement process.

The procurement for the provider of specialist foster placements for children with disabilities will be subject to the successful allocation of Outcome payments from the LCF, and will be undertaken in accordance with the Public Contract Regulations 2015 and the Council's Financial Regulations.

If Cabinet approves the development of a SIB, it is anticipated that placements will not commence until summer 2019 at the earliest.

3. Financial Considerations

It is anticipated that savings over a 3-year period are estimated to be a maximum of £1.748m. The modelling assumes:

- 100% outcomes payment contract with a LCF outcomes payment contribution at 20%.
- The social investor anticipates an 8% growth on investment into the service
- 50% of the 8 cohort children will on step down require a local special school placement at £25k pa inclusive of a school transport allowance.

Key assumptions and calculations are set out below.

	Year 1	Year 2	Year 3	3 Year total
Number of placements stepped down (cumulative)	4	8	12	12
	£m	£m	£m	£m
Costs of foster care placements	0.354	0.707	1.061	2.122
Other costs (Foster carer recruitment, contract management and return on investment)	0.291	0.369	0.448	1.108
Funded by Life Chances Fund (LCF) 20%	(0.111)	(0.187)	(0.264)	(0.562)
Net cost	0.534	0.889	1.245	2.668
Costs of alternative: residential care	0.736	1.472	2.208	4.416
Projected net saving (excluding any further education and transport costs)	0.202	0.583	0.963	1.748

The LCF, in principle, is not averse to contributing 30% of the outcome payments in acknowledgement that savings against disabled children's placements will accrue across Children's Services' core budget, DSG and also health as contributors to Pooled Budgets. The LCF decision on contributing to outcomes payments is anticipated June 2018.

4. Legal 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 their best interests to do so.

The Director of Legal Services will advise in relation to the procurement and contract arrangements.

5. Social Value Considerations

SIB's intend to improve outcomes. Social Value considerations will form part of the tender specification.

6. Human Resource Considerations

There are no human resource considerations.

7. Other Considerations

In preparing this report the relevance of the following factors has been considered:- prevention of crime and disorder, equality of opportunity, environmental health, legal and human rights, human resources, property and transport considerations.

8. Call in

Is it necessary for the call-in period to be waived in respect of the decisions being proposed in the report?

No

9. Key Decision

No

10. Background Papers

Cabinet Paper (minute number 62/18)
Relevant non confidential papers on file

11. Strategic Director's Recommendations

That Cabinet gives approval to proceed to:

1. Proceed from the feasibility study to the Development Stage of a Step Down Social Impact Bond (SIB), subject to Life Chances Fund (LCF) approval of the feasibility study and a commitment to contribute outcome payments.
2. Undertake a procurement exercise to seek a specialist foster provider for children with disabilities.

Appendix 1 – SIB Functioning

Appendix 2 – SIB Evaluation Examples and Case Studies

Jane Parfrement
Strategic Director for Children's Services

Appendix 1

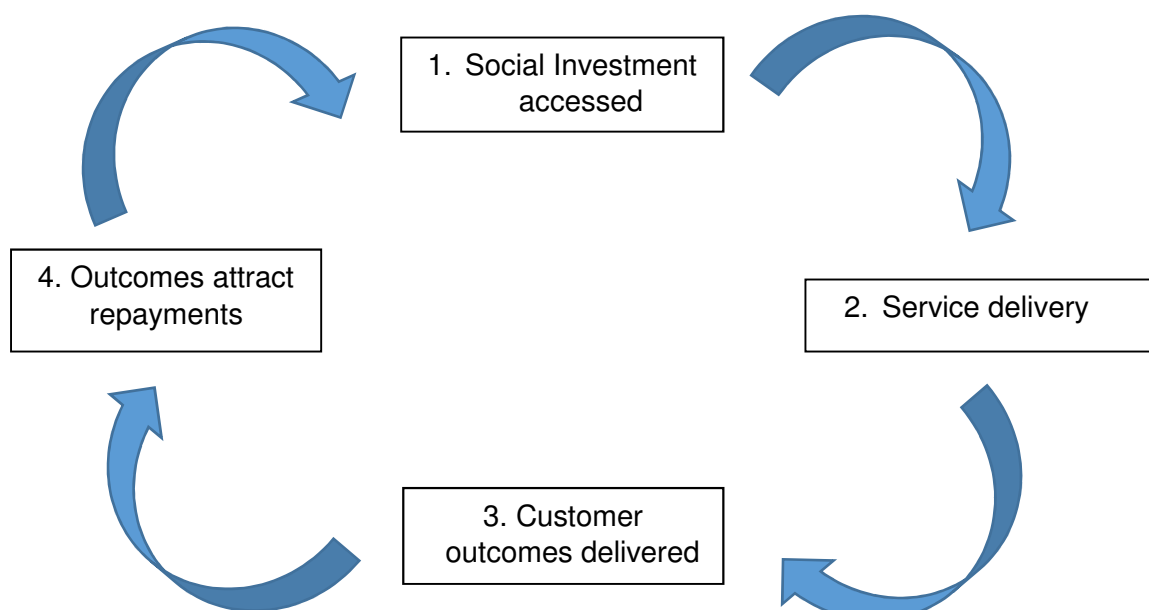
Social Impact Bonds

A Social Impact Bond (SIB) is one form of outcome based commissioning. Outcome based commissioning can also be known as Payment by Results commissioning meaning that all or part of the service is only paid for when specified outcomes or results are achieved.

What differentiates SIBs from other forms of outcome based commissioning is the involvement of social investors to cover the upfront capital required for a provider to set up and deliver a service explicitly commissioned to achieve positive outcomes for a vulnerable group in society.

For example a local authority may wish to source a new supply of foster homes and maximise the likelihood each placement will continue for each child placed for pre-determined minimum time periods. In a SIB model a social investor is sought to fund the cost of a fostering provider recruiting, training and supporting each foster carer to successfully care for each child for contracted minimum lengths of time. In the example the social investor only recoups their upfront investment and an agreed return if sufficient foster homes are sourced and resourced to effectively care for the children placed for the pre-determined time periods. A stable family foster home for children is the positive social outcome sought.

In the SIB model example above the local authority and provider avoid the risk of investing in carer recruitment activity that may not source sufficient suitable long term carers for children. The social investor is incentivised to ensure the positive social outcomes contracted for are delivered to maximise the likelihood investment will be recovered alongside a financial return made in exchange for the risk taken by upfront service investment.



Appendix 2 – SIB Evaluation and Case Studies

Birmingham City Council Steps Down mainstream children from residential care and makes PbR outcome payment at 12 months placement longevity. The SIB is evaluated by the Rees Centre.

REES CENTRE
Research in Fostering and Education
University of Oxford Department of Education



Step Down Programme Evaluation – Report of the Preliminary Findings March 2017

These key messages are drawn from the interim report in March 2017 to Birmingham City Council, by the Rees Centre for Research in Fostering and Education at the University of Oxford.

What did we find out?

On average, across the first two years, a 70% stability rate has been achieved across the 20 placements (19 young people). There is evidence that most young people achieved greater stability than they experienced prior to the programme;

There was some evidence of improved school attendance and strong evidence that the frequency of engagement in positive activities increases markedly immediately after placement though is not always maintained at the initial high level;

Across the 19 young people in the programme, there was no improvement in SDQ scores;

Across the placements to date, we can expect there to have been a saving of over £0.8m whilst the young people have been in the scheme and a similar amount after graduation. (graduation is at 12 months placement).

2. A Navigator Model for Addressing Rough Sleeping



Department for
Communities and
Local Government

Learning from the Qualitative Evaluation of the London Homelessness Social Impact Bond

What makes the model successful?

The evidence from the evaluation of the London SIB is conclusive that the Navigator intervention model is effective in supporting entrenched rough sleepers with high levels of complex needs. Providers received payments for outcomes under a payment by results (PbR) structure. Achieving stable accommodation outcomes was the highest priority within the SIB, reflected by the proportion of payments assigned to these outcomes. Providers over-performed in relation to the number of people supported to sustain stable accommodation over 12 and 18 months. In contrast, employment was not a high priority outcome; targets were low and so was the proportion of outcome payments assigned to it. However there was above expected performance, and thus the model may be effective in achieving employment outcomes in the longer term.

Case Study

I had a client who was banned from The Passage [key hostel bed provider and day centre] banned from every place, he was very aggressive, no one would work with him. Even other clients had mentioned him and said that he had cut off completely from everyone and was not engaging... I was advised for the first meeting I should go with the police... [the client] was drinking very heavily when [we] first met, in a really bad state... I thought I would never get anywhere with him as he never went to treatment... I eventually sorted [a 10 day] detox for him, he stayed sober and stayed in a dry hostel and eventually got a clearing flat and is now working...no one ever thought that we would get him to stop drinking...it is kind of 'wow'. (St Mungo's Navigator)