

CABINET

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PROPOSAL FOR SOCIAL IMPACT BOND

Portfolio Holder: Councillor Mike O'Brien – Children's Services
Report from: Barbara Peacock – Director of Children and Adult Services
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Summary

This report outlines a possible Social Impact Bond (SIB) for Children's Social Care and the potential efficiencies that could be realised for the Council. It is recommended that Cabinet agrees to officers submitting an application and going out to tender for a SIB partner.

1. Budget and Policy Framework

1.1 Approval of the submission of an application for a Social Impact Bond for Children's Social Care is a matter for Cabinet.

2. Background

2.1 The Cabinet Office defines SIBs as "...designed to help reform public service delivery. SIBs improve the social outcomes of publically funded services by making funding conditional on achieving results. Investors pay for the project at the start and then receive payments based on the results achieved by the project" (Cabinet Office, November 2012).

2.2 The "results" are based on achieving social outcomes e.g. reduce the number of days a child spends in care. The outcomes are predefined and measurable.

2.3 There are a number of benefits for the commissioner i.e. the Council:

- Private investment is gained to fund early and preventative action on complex and expensive social issues
- New services can be developed without the Council having to pay if they do not work (financial risk sits with the investors)
- There is a rigorous performance framework which could be developed for other services the Council delivers

2.4 Increased demand on Children's Social Care and the subsequent budget pressures has resulted in officers identifying how children's care services can be delivered differently with low to no investment. Officers researched the

potential of SIBs as a means to transform the delivery of early intervention services with children either on the edge of care or who have recently come into care. There are currently 23 SIBs operating in the UK with three focussed on children in/on the end of care.

- 2.5 In December 2014, Medway submitted a report to the DfE (this had been funded by an innovation grant) about children at the edge of care. This report provided an in-depth needs analysis and put forward an evidence based model of delivery using Family Functional Therapy (FFT) to both prevent children going into care and support children to return home where it was safe to do so. Whilst the DfE supported the findings of the report, funding was not available to support the delivery of the recommendations.
- 2.6 Whilst officers examined a range of funding options, a meeting was held with Evidence Based Social Investments Ltd (EBSI) to scope the potential for a Social Impact Bond. EBSI has received funding from the Big Lottery and Cabinet Office to support a number of Local Authorities to develop SIBs and has a track record in this area.

3. Proposed Model for Medway

- 3.1 Officers have developed a service specification to tender for a FFT service model funded through a SIB. The SIB model will cover all aspects of design and delivery including:
- FFT interventions
 - Ready investment (if successful EBSI has secured investment through a Triodos bank. This investment is forecast to cost approximately £1.2m over five years)
 - Performance management and reporting
 - Outcome and payment metrics
- 3.2 If approved, the SIB will focus on 7 to 12 year olds to ensure there is no duplication of effort with the Council's in-house service called SMART. All referrals will come through the Access to Resource Panel so children are not "cherry picked".
- 3.3 Social outcomes will be measured by the number of care days saved. A care calculator has been designed using cost assumptions researched by the Personal Social Services Research Unit (PSSRU) at the University of Kent. In short, the cost saving is calculated as £84 per day, which is monitored over a 2.5 year period.
- 3.4 Over the five years of the programme's direct delivery, it is intended that the service will work with approximately 250 children. If there is a 67% success rate i.e. 201 children gross savings of £12,838,540 can be expected. On a 50:50 saving share with the investors this will result in a net saving to Medway Council of £6,419,270. As part of the budget setting process, these savings have been profiled to meet the savings targets for Children's Social Care.
- 3.5 Funding of up to £1.2m is also available from the Cabinet Office to offset the Council's savings share to the investors. That would result in a net saving of up to £7,619,270. The Cabinet Office has indicated it would be unwilling to front load their funding across the first two/three years.

4. Risk Analysis

4.1 Risk Categorisation

Risk Category:	Likelihood:	Impact:
Description: Only children most likely to return home are identified	High	Marginal
Plans to Mitigate: Children are identified by Access to Resources Panel and not the service. Children identified will need to have a placement cost of a minimum £82 per day		
Description: Children come back into care and savings over 2.5 years not realised	High	Negligible
Plans to Mitigate: Every child will be tracked for 2.5 years. If they come back into care, the savings calculator is immediately stopped. If outcomes are not delivered, the risk sits with the investors		

5. Financial implications

5.1 As part of the budget setting process a net saving of £5.9m has been programmed into the medium term financial strategy. This is predicated on the success of the venture and also assumes that the cabinet office grant of £1.2m is awarded and utilised by the end of year 3. The following table identifies the profile of the costs and savings. These can be reviewed in time but it is important the 2016/17 savings is accurate as we near the budget setting deadline in February.

	2016/17	2017/18	2018/19	2019/20	Total
	£,000	£,000	£,000	£,000	£,000
Gross Savings (the councils share)	-256	-1,538	-3,848	-3,848	-9,490
Payment to the Special Purpose Vehicle (investors)	128	769	1,924	1,924	4,745
Draw Down of Grant	-128	-769	-303	0	-1,200
Net Annual saving	-256	-1,538	-2,227	-1,924	-5,945

6. Legal implications

6.1 A SIB is a funding mechanism with the following features:

- The Council contracts for the delivery of specified social outcomes;
- The contract between the service provider and the Council provides that payment will be made only and to the extent that the specified social outcomes are achieved;
- The service provider contracting to deliver the specified social outcomes is a civil society organisation (that is, a charity or social enterprise existing primarily to deliver social outcomes rather than to return profits to shareholders);

- Capital is provided by third party investors seeking a demonstrable social return as well as a financial return on their investment;
- The capital is at risk and whether it is repaid and the extent to which a financial return is paid are both dependent on the outcomes achieved by the service provider.

6.2 The Social Value Act 2012 gives the Council statutory duty to consider at the pre-procurement stage of any services contract:

- How what is proposed to be procured may improve the economic, social and environmental well-being of their areas;
- How the Council may act with a view to securing that improvement in conducting the process of procurement.

The Act applies to all services contracts and services framework agreements (including goods and works contracts procured in combination with services where the value of the goods is less than the services, and where the works are incidental to the services) to which the Public Contracts Regulations 2015 apply.

6.3 The Cabinet Office has set up a Centre for Social Impact Bonds to provide a variety of support structures including a template contract to enable local authorities with limited resources to take advantage of an SIB scheme.

7. TUPE implications

7.1 TUPE will apply in the usual way when the service are either outsourced, if the services are being provided by dedicated staff or when an incumbent provider is replaced with a new provider following a re-tender.

8. Procurement implications

8.1 Category Management has been involved in preliminary discussions with EBSI. The procurement of an SIB partner will be classified as a public services contract and will be carried out in accordance with the Public Contracts Regulations 2015. SIBs involve high levels of market engagement prior to the start formal procurement processes and partnering with an SIB partner will assist the Council with this.

8.2 Contracts for financial services in connection with the issue, purchase, sale or transfer of securities or other financial instruments to raise money or capital are expressly excluded from the Public Contracts Regulations 2015 so funding agreements for the SIB will not need to be procured.

8.3 In relation to the service contracts, the 2015 Procurement Directives and Public Contracts Regulations 2015 provide the opportunity for Medway Council to undertake procurement processes that are either reserved to social enterprises willing to sign up to a SIB or are flexible in accordance with what is known as the Light Touch Regime (LTR). Contracts for the delivery of specified social outcomes will be advertised to the whole of the EU market via an OJEU notice and the procurement processes will be in line with Medway's Contract Procedure Rules and will comply with the EU principles of non-discrimination, equality, transparency and proportionality. It is expected that

mobilisation will result in the first referrals within two months of appointment of service providers.

9. Recommendation

9.1 It is recommended that Cabinet:

- Agrees that officers continue to develop the Social Impact Bond (SIB) model and submit an application for £1.2m from the Cabinet Office
- Agrees for a procurement process to start for a SIB partner.
- Requests officers to bring a report to Cabinet following the procurement process (if agreed) to give next steps for implementation

10. Suggested reasons for decision

10.1 Should the Council's application for the Social Impact Bond be successful, it will improve outcomes for children and generate savings for the Council.

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Appendices

None

Background papers

None