Children's Social Care Innovation Programme
Developing social impact bonds for care leavers: what we heard
Thursday 24th November 2016

This document provides a record of the conversations and discussions from the workshop on 24 November to discuss the use of social impact bonds (SIBs) to support care leavers. The below information is a reflection of the views and opinions of those who attended the event and do not necessarily reflect the Department for Education (DfE) policy position. We have published the SIBs policy brief which sets out the DfE ambitions and focus in this area. We have also published a Frequently Asked Questions (FAQ) document that responds to the questions raised in this document.

Key messages

On 24 November the Innovation Programme held a workshop in Birmingham to discuss the use of social impact bonds (SIBs) to support young people leaving care into sustained education, employment and training (EET). The aims of the event were to:

- Share the DfE's policy priorities for care leavers. Discuss the challenges and opportunities for supporting care leavers, and contribute to the development of SIBs to support care leavers.

- Learn about social impact bonds and help define how they could work to young people leaving care into sustained EET.

- Share insight on and learn about others' experience of delivering services in these areas.

- Support local agencies to consider, explore and shape ideas for their localities.

- Develop relationships with organisations, from different sectors, with similar ambitions and build collaborative networks.

- Inform a second event that will further explore solutions and how they might be shared across the sector.

47 people attended, with representation from local authorities, providers, front-line practitioners, the charity and voluntary sector in addition to commissioners, investors and intermediaries currently delivering social impact bonds.

1. What makes a difference to young people leaving care?

Participants discussed and identified the follow key issues for care leavers:

- Transitions out of care were often difficult:

  o A view that planning started too late. The minimum age to begin planning for leaving was seen as being 15, but with a suggestion that care plans should include preparation for independence from as early as 13.

  o The transition was often felt to be too linear, with little provision for taking a stepped, gradual approach. There was often no clear 'pathway to independence' that the care leaver themselves could understand and have ownership of. In addition, some care leavers wanted the option to return to care, but this was often not available.

  o It was felt that young people were often required to become 'experts' in the system in order to navigate support options and that access relied on being vocal and demanding.

  o There was often an expectation that a young person would leave care at a certain point whether they were ready or not.

  o Care leavers not feeling prepared or ready - practically or emotionally - to make the transition to independent living and many talked about a traumatic experience of leaving care, akin to bereavement.

- A lack of suitable and appropriate accommodation for care leavers. Safety and security had to be seen as being as important as the practical basics.

- Loneliness was a crucial concern and had a knock-on impact on young people's mental health and ability to cope with setbacks. This could be particularly true for young people who had left residential care.

- A lack of support for birth families to manage their own transition and support young people who want to return home after leaving care.

Participants discussed a number of ways that the system could be improved to better support care leavers, including:

- Clarity over whose responsibility it was to prepare care leavers for independence, guide them through the process and continue to provide follow-on support. Participants felt that the role of corporate parents, foster carers and birth families should be clear and joined-up.

- An ecosystem of relationships that a young person can draw on for support and guidance. It was noted that these significant relationships were not always those that we expect. What was crucial was not only to create strong, long-lasting relationships with designated professional 'champions' but to create opportunities for young people to build relationships themselves with a range of significant adults and peers.

- Looking at emotional independence, not just practical independence. This meant a core focus on emotional wellbeing for care leavers.

- Giving young people the right level of agency and control over the process, including control over their own finances through personal budgets.

- Making better use of young people's voice and choice, including care leaver groups and children in care councils.

2. The experience of running a social impact bond

<u>The value and benefits of a SIB</u>

Participants discussed the value and benefits of a SIB as being:

- Focusing work on the outcomes that matter, allowing a more targeted and clear approach to provision and cohorts that starts from the quality and impact of provision, not its cost.

- Moving organisations (and the sector as a whole) towards a culture of outcomes and evidence-based models, and building skills in generating robust business cases.

- Providing an outcomes-based (rather than activity- or risk-based) focus to performance management, which was seen as lacking in many LAs and providers.

- Incentivising innovation, both by opening up space to think differently and by reducing the risk of doing things differently.

- Providing opportunities for smaller service providers to enter the market.

- Creating additional funding streams for providers alongside their standard contracts with local authorities.

It was noted that, while none of these benefits mechanisms were exclusive to a SIB, what the SIB did was to package them up in a logical way. The combination of a focus on outcomes, payment by results and technical support were hard to bring together into one package.

<u>The barriers to setting up a SIB</u>

Participants discussed the barriers they perceived to developing, setting up and successfully implementing a SIB as being:

- The local authority procurement process. This was overwhelmingly cited as the biggest barrier, and was described by some as being *"intractable"*. We heard stories from providers and local authorities alike about getting close to agreeing an outcomes-based contract but being unable to get it through the procurement process. This was viewed to be down to a lack of time, resource and knowledge within LAs on how to commission outcomes-based or payment by results contracts.

- A lack of knowledge and learning about what works. Many participants did not know what a SIB looked like in practice or how they would go about setting one up for themselves.

- Choosing an investor and building a strong relationship with them. How can local authorities or providers diagnose the kind of investor they needed? What were the categories or investors that exist? It was understood that this was part of the role of the broker, but there was some resistance to bringing an additional party into the equation.

- We heard three key barriers around timescales.

  o First, needing to frame a SIB around the timescales that make sense to young people. It was noted that waiting until young people are 18 before preparing them for leaving care is far too late.

  o Second, understanding that the outcomes achieved through working with care leavers at these different points in their lives would take a number of years to transpire. A SIB with outcomes identified in 2030 would be better than one in 2020.

  o Third, the timescales of setting up the SIB. Experience from those who have been involved in SIBs was that they take a long time - running into years - to set up. There has to be enough time built in to set them up well.

- Participants felt that SIBs had not reached their full potential yet in two key areas:

  o Allowing local authorities to reinvest savings. The overall cuts have prevented this from happening.

  o Creating innovation. There was a view that lots of SIBs were funding good approaches but not innovation.

The 'essential components' of a SIB

These were viewed as including:

- Flexibility over outcomes, with space within the SIB process to renegotiate outcomes if they are not right (or not right at that point in time).

- As long a timescale as possible.

- Good existing local partnership arrangements. It was noted that creating these at the point of building the SIB (or using a SIB as a way to create them) was difficult and time- and resource-intensive.

- A strong relationship with investors.

- Clarity on the difference between outcomes, outputs and indicators. A mixture of 'payment trigger' outcomes was needed alongside evidence of the impact of the intervention that can then be shared and learned from to improve the model.

3. Defining outcomes, metrics and measures

Participants discussed the outcomes framework and draft rate card developed by DfE.

General comments

- While many important outcomes were covered in the framework, if was felt there were more aspirational outcomes which SIBs could deliver and some could be more directly focused on a young person's long-term future.

- It was felt that while there are many possible outcomes, each individual SIB would probably only make payments on a small number of them.

- It was felt that some outcomes could be more long-term focused, and on the sustained change/progress or the quality of outcome, as opposed to activity. e.g. 'housing' should be reframed as 'being in stable accommodation that is right for my needs'.

- It was felt that the framework was too vulnerable to 'perverse incentives' being built into it because of the above. For example, if a payment is made when a care leaver is given accommodation, there are incentives to (a) move someone into accommodation regardless of whether it is right for them, and (b) move young people around to collect multiple payments.

- It was felt that the framework should tie in more firmly with the outcomes that matter to young people, rather than what can reduce costs to the system.

- The framework seemed focused on LAs, not commissioners. Participants noted that different actors could be provider, commissioner, funder at different times.

- The framework should start with young person-led outcomes: a bottom-up outcomes model not a top-down financial model.

- Some participants felt that assumptions should not be made on behalf of care leavers in terms of what they would want to achieve. Is it right to set and fix a set of outcomes for care leavers? Should they be deciding for themselves what outcomes they want to achieve when they leave care?

- Some outcomes are used or monitored because we're already using or collecting that data. We need to frame the payment triggers around what it is valuable to measure, not what is easy.

- There should be mechanisms for young people to hold us to account for outcomes.

It was suggested that outcomes could be better defined by starting with a 'desirable, feasible, viable' framework:

1. What are the ideal outcomes for these young people?

2. What can we do about it?

3. Who will pay for it?

It was noted that this should be a genuinely co-productive process between the provider, LA, commissioner, investor and - crucially - local young people and families. That approach should be done locally and would take time; there was a concern that the current framework would not support that kind of process.

It was suggested that the Innovation Programme should aim for an ecosystem of different outcomes and indicators across the programme, but with these being very specifically defined for each project. It was recommended that a cost-benefits analysis be done of the interventions in the programme to understand actual costs and which elements of the framework have the biggest impact. It was also noted that there is a high transaction cost associated with evaluating SIBs.

<u>Differentiation between outcomes and indicators</u>

- It was felt that the framework described indicators/outputs and payment triggers, not the outcomes that we wanted for young people.

- The role of indicators is as progress towards the goal - to give investors confidence. They aren't the *reasons* for doing the work. Important to separate these.

- It was seen as essential to capture a much wider range of progress measures, separate to those that are linked to payments, in order to learn about what works and how each approach can be improved.

<u>Comments on specific outcome categories</u>

Education. It was felt that the indicators do not suggest any progression and should be more long-term. There are no education Level 4 or above education outcomes included. The aim should be for care leavers to complete university, not just enter it. Acceptance rates, enrolment rates, rates of continuation after each year, graduation rates.

Employment. As with education, it was sustained employment that mattered, not just being employed. This category could also include volunteering, entrepreneurship and apprenticeships.

Training. This should focus more broadly on engagement in personal development opportunities, not just qualifications. Must be careful not to incentivise providers to force everyone to obtain inappropriate qualifications.

Wellbeing. Participants agreed that soft outcomes were critical for this SIB but that 'wellbeing' was too broadly defined. What does that actually mean? Does it refer to emotional, social and physical wellbeing? It was noted that resilience is critical for care leavers.

Mental health. It was seen as important that this was given as an end goal in and of itself, not only as a means to other outcomes.

Comments on potential additional outcomes

Participants also identified a number of outcome areas that they felt should be included in the framework:

- Practical skills, i.e. budgeting, cooking, looking after a home, looking after yourself.

- Social networks/social relationships: the capability to build healthy and stable relationships; staying connected to friends in care/other care leavers; social inclusion.

- Young people's stability and feelings of safety and security. This should include financial stability.

- Young people's resilience and ability to develop, grow and adapt to new or difficult situations.

- Parenting skills for those care leavers who have children of their own.

Cohort

- Cohorts need to be clearly defined; the care leaver cohort is not homogenous. There are different cohorts within with regards to their level of independence, their readiness to leave care, their connection to their birth families etc.

- There is a risk of creating perverse incentives if the cohort is too broadly defined.

- There was a concern that outcome frameworks can become 'blunt instruments' that do not reflect the individuality of young people, who can be 'lumped together' to reach an outcome target.

4. Questions

Participants raised a number of areas in which they were unclear, wanted more information or felt they would need particular support. These were:

SIB structure and process

● **What is the process of engaging investors?**

Participants discussed the process of finding and engaging an investor. What are the terms of engagement and partnership? What are the conditions under which investor will invest? How involved are they in building the SIB? At what stage are they brought on board? It was noted that 'having money to invest' isn't the only requirement to be a good investor for a SIB. How could local authorities and providers diagnose the best SIB structure and investor for what they want to achieve?

● **Is there an 'ideal mix' of investment?**

Could more than one investor be part of a SIB, each paying for a different range of outcomes or outcomes over different time periods? Would this reduce risk or just increase complexity?

● **What is the role of brokers/intermediaries?**

How do intermediaries avoid conflicts of interest in their advice to investors, commissioners and providers? The quality of the organisation in the intermediary role can be the crux of whether the process works, and this made the process of choosing them feel confusing and risky.

● **What level of evidence is required at set-up?**

What will an investor or commissioner expect? How robust does the evidence need to be before the SIB can be set up? Is a SIB appropriate for testing new approaches, or is it only viable when future cost savings can be proven? It was noted that there is a lack of data around which approaches work best in supporting care leavers.

● **For which cohorts might a SIB be appropriate?**

Should projects focus on those in care but leaving in the next 3-4 years; the transition of those leaving care each year for the duration of the SIB; or support for those who have left? Should projects focus on the whole care leaver cohort in a place or only those with particular risks/characteristics?

● **What's in it for local authorities?**

Participants discussed the need to make the case to local authorities that SIBs were of real benefit and *"worth the long investment of time and resource to get them set up"*. Questions raised were:

○ Where the cashable savings accrue. It was noted that the majority of savings from reducing NEET numbers were all to national bodies, including the Department of Work and Pensions, the Ministry of Justice and the Home Office.

- Local savings would include mental health provision and housing, but these were not the *"big ticket"* items.

- What level of cashable savings would motivate an LA to be involved. Those LAs who are or had been part of a SIB remarked that the process is complex and resource-intensive. The evidence had to be robust that the savings would be worthwhile.

- There was a suggestion that making statutory some of the suggested SIB outcomes would give local partners the ability to prioritise and resource them.

● **How will the SIB itself be evaluated?**

Participants were unclear on the plan for evaluating the success of projects or what the Innovation Programme was aiming to test. Was the aim to have:

- a variety of projects each testing approaches to achieving different outcomes;

- a variety of projects all testing approaches to achieving the same outcome (to understand what works); or

- different types of SIB arrangements to test what kinds of SIBs are possible and viable?

Are SIBs innovative? What was it possible to achieve through a SIB that isn't already possible? Is a SIB a necessary or sufficient tool to create new approaches for care leavers? *"Is what you can achieve through a SIB any different to just working with an LA who has good commissioning processes?"*

● **Does there have to be an investor, or could a provider self-fund?**

● **Additional examples/case studies would be appreciated, including:**

- Multiple investors funding different outcomes under one SIB framework.

- Any data on the advantages of consortia vs single agency SIBs.

- Best practice from funding other similar initiatives.

- Examples of 'failed' SIBs that we can learn from, where outcomes were not met or not sustained after the end of the SIB funding period.

Outcomes

● Clarity from DfE would be appreciated on where savings can accrue from achieving the outcomes. It is not clear how wider beneficiaries (e.g. MoJ, health, DWP) can or should be included.

● Could DfE give more information about why a SIB structure has been chosen? Why does DfE believe that a SIB is the right vehicle to deliver these outcomes?

● Greater clarity could also be provided on DfE's expectations about how to interpret the framework e.g. Is this a menu from which we can select? Will everyone be expected to hit all of these? Are there some non-negotiable?

- A request was made for a clear theory of change from DfE. What do all of these add up to? It was not clear whether this programme would only be focused on NEETs and, if so, why.

- The key question was seen as being: what enables a successful transition into a thriving adulthood?

- There was a critical question around the timescale for achieving good outcomes for care leavers. Participants wondered what a realistic timescale would be. At what age would a care leaver be considered an 'independent adult'?

The rate card

- Whether the rate card could be varied depending on the individual young person, to incentivise a provider to support each young person appropriately.

- Whether the rate card could support applicants to more precisely define target cohort(s), and apply different outcome measures to different groups. For example, for young people who are already in employment or accommodation, the rate card would incentivise progression in these areas.

- Is a baseline needed? There was a concern that without these, providers would be incentivised to work only with those young people who would have been successful regardless. Others felt that a certain amount of 'dead weight' payments were acceptable and unavoidable.

- There was a view that introducing a rate card at this stage unhelpfully framed the conversation around how much money could be saved (or earned by providers) rather than what was right for young people. It was strongly felt that the decision-making process around what outcomes to attach to a SIB should start with what young people most needed.

Innovation Programme process

- At what point in the process will payment trigger outcomes be decided? Will this be decided alongside projects or set as a single framework before application?

- Should determining outcomes be part of the design processes during set-up phase? To what level of detail should ideas be developed before a proposal is submitted?

- For a six-year SIB will all payments have to be made by 2023?

- What sizes of SIBs or projects are expected? How much are DfE looking to fund?

- What regional or geographical spread are the department looking at?

- Does the drawdown of money have to be through an LA?

- Do applications have to include a local authority? Where would a non-LA organisation start in developing a proposal?

- What will happen after the funding period? Are services recommissioned?

- What's up for discussion? Can projects challenge (or change) the policy focus?

- Are we allowed to work with partners who do not attend?

- There is a general lack of awareness and understanding of SIBs. It would be helpful to provide more information between the planned events. E.g., a guide on brokers.

Support for applicants

- Will there be a role for DfE/Spring to broker across applicants / matching partners who have similar interests or complementary skills?

- What resources are there to support applications to develop a proposal? Is there free advice available from intermediaries/experts such as Bridges Ventures and Social Finance? If the intention is for SIBs to open up opportunities to organisations who would not otherwise be able to do this work, then it is important to ensure that it is not only feasible for those LAs/providers with spare resources to dedicate.

- It would be helpful if there was a 'feasibility checklist' or diagnostic to ensure that applicants are able to meet a basic set of criteria before putting resources into developing a proposal.