

# Social Investment

## Essex Experience

Clare Burrell  
Head of Commissioning Vulnerable People  
[Clare.burrell@essex.gov.uk](mailto:Clare.burrell@essex.gov.uk)

# Essex Social Investment

## Impetus

- **Need;** Children in Care: high numbers, high cost, poor outcomes
- **Services:** shift towards prevention, building family strengths and resilience, reducing future dependence and demand
- **Innovation:** new funding mechanism, services new to Essex
- **Investment:** upfront, off the balance sheet
- **Savings:** unlocking acute spend, efficiencies and re-investment
- **Risk:** risk of failure deferred to investor
- **Performance:** Enhanced by PbR approach
- **System change:** sustainable and outcomes driven, outcomes-led commissioning



# The Essex Social Impact Bond Principles;

- **Target:** young people on the edge of care or custody
- **Intensive evidence based intervention:** 2 Multi Systemic Therapy (MST) Teams
- **Provider:** Action for Children
- **SIB intermediary:** Social Finance LTD
- **Special purpose vehicle:** Children's Support Services LTD
- **Contract:** 5 years operational 8 years payment
- **Social investment:** Initial £3.1m growing to around £5.9m throughout project life



# The Essex Social Impact Bond

## Key stages;

- Feasibility study
- Set up funding mechanisms
- Control group review on historical data
- Primary Outcome metric (payment trigger);
  - Reduction in care days;
- Secondary outcome metric;
  - Youth offending; education; health and well-being



# The Essex Social Impact Bond

## Lessons learned;

- **Affordable:** cost benefit comparison, value of risk transfer, performance incentives
- **Attributable:** intervention, to outcome, to savings benefit
- **Cashable:** payment realised from commissioning budget where saving is made
- **Simple:** understood by all stakeholders
- **Tactical:** targeted where impact will be greatest and last longest
- **Marketable:** use development to shape and grow market from commissioner perspective
- **Replicable:** future application supported by model design



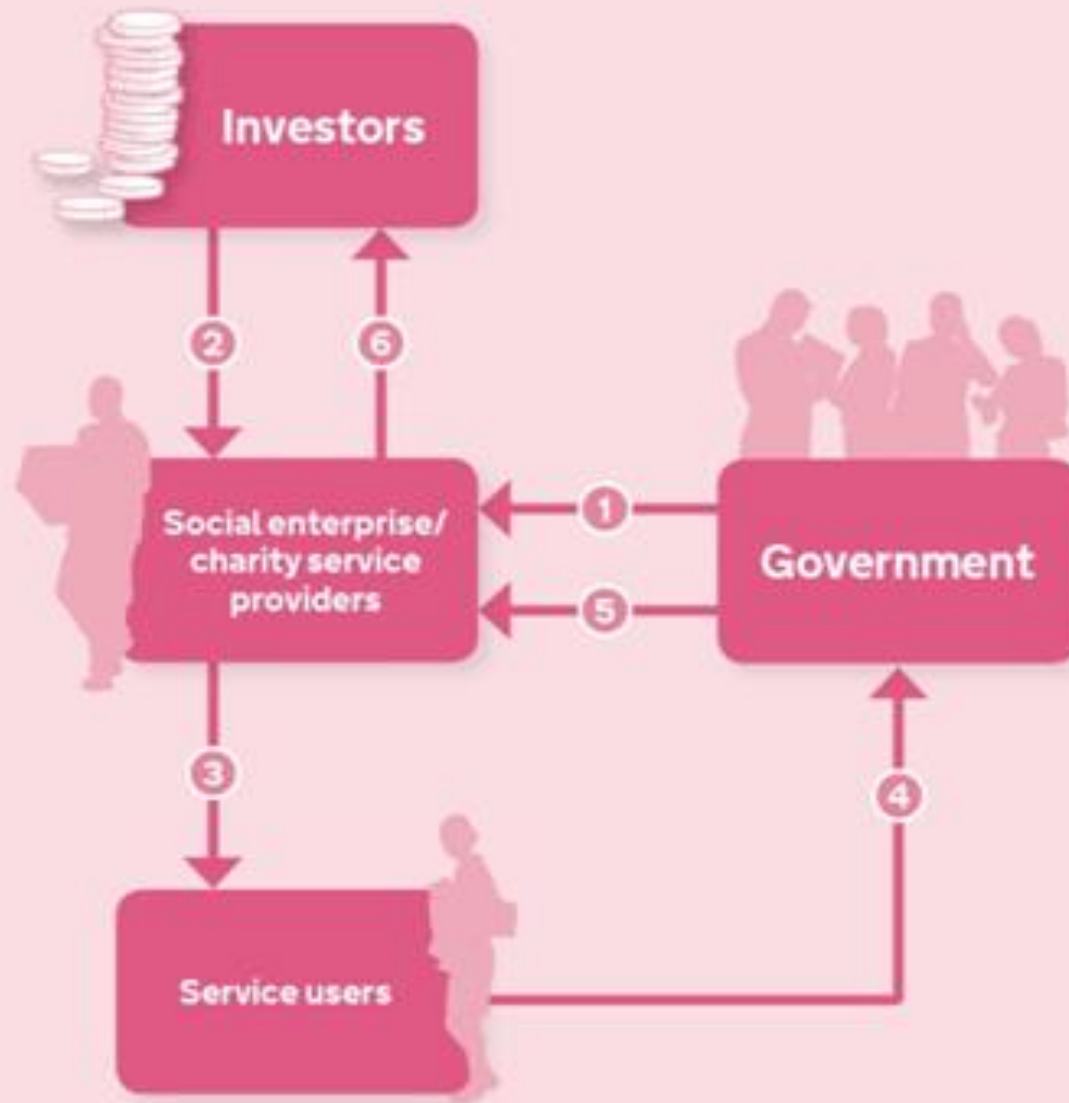
# Building on the Essex Experience

- There is a Dynamic Purchasing System in place
- Commissioners consider social investment a realistic funding mechanism with funding support to develop ideas
- Facilitating partners access or utilise social investment
- Particular focus with third sector to attract investment
- Development of internal/external master classes



# Social Impact Bond Model

1. PbR contract – government agrees to pay a service provider if and when it achieves certain outcomes
2. Investors provide up front finance to fund the provision of services by a social enterprise or charity
3. Social enterprise/charity service providers deliver services to service users
4. Improved outcomes for services users and savings to government
5. Government pays if and when agreed outcomes specified in the PbR agreement are achieved
6. Outcome payments from government provide a return to investors





# **Social Investment Workshop**

## **Greater Manchester “show and tell”**

**Julian Cox**

**Head of Research, New Economy**

28/04/14



# Background of Early Intervention

- 2010: GM Spatial Pilots – Early Years and Better Life Chances
- 2011: Phase 1 Community Budgets
- 2012: Whole Place Community Budgets
- Ongoing: Public Service Reform Programme

All have considered extra preventative investment to support young children and their families.

# Social Investment – initial considerations

- Early discussions with Cabinet Office around our family intervention initiatives
  - Decided too complex
  - Too broad a range of outcomes
  - Too many partners
- Review of other opportunities to trial SIBs

# Criteria for a SIB

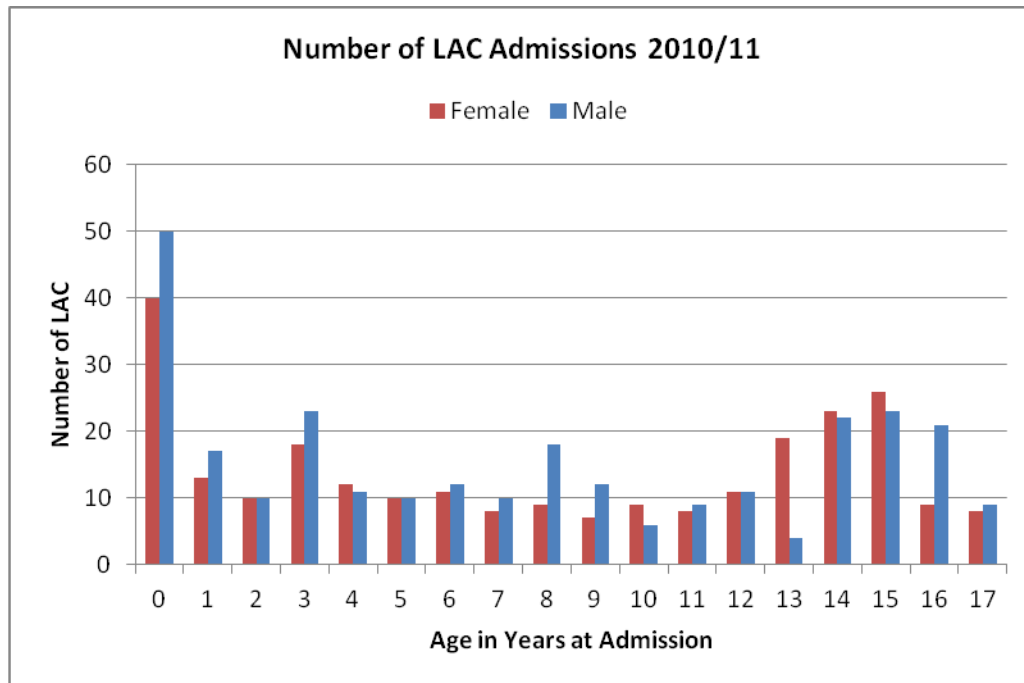
- ✓ **Major social challenge; a priority for public sector and investors**
- ✓ **Promising interventions that require upfront investment**
- ✓ **Robust outcome metric**
- ✓ **Clearly defined target group**
- ✓ **Cashable savings to be made which can be used to repay up-front investment plus a return**
- ✓ **Investors better able to deliver higher performing service and manage risk than in traditional service delivery**

**Manchester City Council**

**Multi-Dimensional Treatment Foster Care  
SIB**

# CURRENT CONTEXT: AGE OF ENTRY INTO CARE SYSTEM

**Evidence shows that there is a sharp increase in the number of young people entering care from the age of 14 onwards.**



# INTERVENTION: WHAT IS MULTI-DIMENSIONAL TREATMENT FOSTER CARE (MTFC)?

## The Programme

- Part of a family of evidence based programmes developed in Oregon USA for children with complex needs in out of home placements
- Specialist foster care placements supported by a multidisciplinary team

## Theory

- Based on 40 years of research on Social Learning Theory (SLT)
- SLT forged new ways to understand parent-child relationships
- SLT discovered that if you intervene in the relationship, you get more positive outcomes than individual therapy alone

# INTERVENTION: WHY CHOOSE MTFC?

- Target Population
  - Aged 11-14 in residential care
  - Commonly present difficult emotional and behavioural challenges
- Gap in the provision of more intensive therapeutic support
  - To de-escalate emotional and behavioural challenges
  - To reduce the number of residential placements

# FINANCIAL INPUTS AND ASSUMPTIONS

- Residential care costs an average of £2300 per week compared to an average of £300 per week for an internal foster-care placement or £760 for an external foster-care placement
- Initially, 8 children currently in residential care will be referred to MTFC. In the second year of the programme a second MTFC unit will be opened, increasing capacity to 16 children per year with a view to 80 children in total passing through the programme over five years.
- The total cost of the project over 5 years is £5.6m, funded by a combination of investors (£2.4m) and recycled savings (£3.2m). If successful, savings of £10.9m could be generated over 8 years, assuming 2 units, 8 young people in each and the successful move to foster care of 5 attendees per unit per year (3 are unsuccessful).



# FINANCIAL INPUTS AND ASSUMPTIONS

- The return is generated through the decommissioning of residential provision and is split between MCC and investor return
- We have considered the ability of MCC to “cash” such savings and are confident that we will be able to directly convert the reduction in care costs to cash amounts that can be used to fund the programme/repay investors.

# Indicative Financial Model Summary

	Yr0	Yr1	Yr2	Yr3	Yr4	Yr5	Yr6	Yr7	Yr8	Total
Total Costs	321	684	1,142	1,130	1,133	1,133	21	15	39	5,620
Total Savings	-	481	1,145	1,934	2,420	2,420	1,578	971	-	10,949
Cost Requirement	321	684	1,142	1,130	1,133	1,133	21	15	39	5,620
Funded by:										
Savings	-	-	534	930	833	833	21	15	39	3,206
Investor Drawdown	330	684	600	200	300	300	-	-	-	2,414
	330	684	1,134	1,130	1,133	1,133	21	15	39	5,620
Savings Profile (including 6 mnth lag)										
	Yr0	Yr1	Yr2	Yr3	Yr4	Yr5	Yr6	Yr7	Yr8	Total
Total Savings	-	240	813	1,540	2,177	2,420	1,999	1,275	486	10,949
Allocated:										
Recycled to fund costs	-	-	534	930	833	833	21	15	39	3,206
Investor Return (Inc cap)	-	240	279	500	423	454	857	282	19	3,053
							Total Outcome Payments			6,260
MCC Return	-	-	-	110	921	1,132	1,122	978	427	4,690
										10,949

- Total cost of delivery over 5 years is £5.6m funded by;
  - Social Investors
  - Recycled Savings
- Savings accrue over 8 years to £10.9m
- Timescale dictated by gradual ramp up of delivery
- Benefits accrue on average for 3.6 years per graduate
- Cohort demographics
- Sensitivity Analysis

# **Social Investment Considerations for the future**

## Supporting public service transformation:

cost benefit analysis guidance for  
local partnerships

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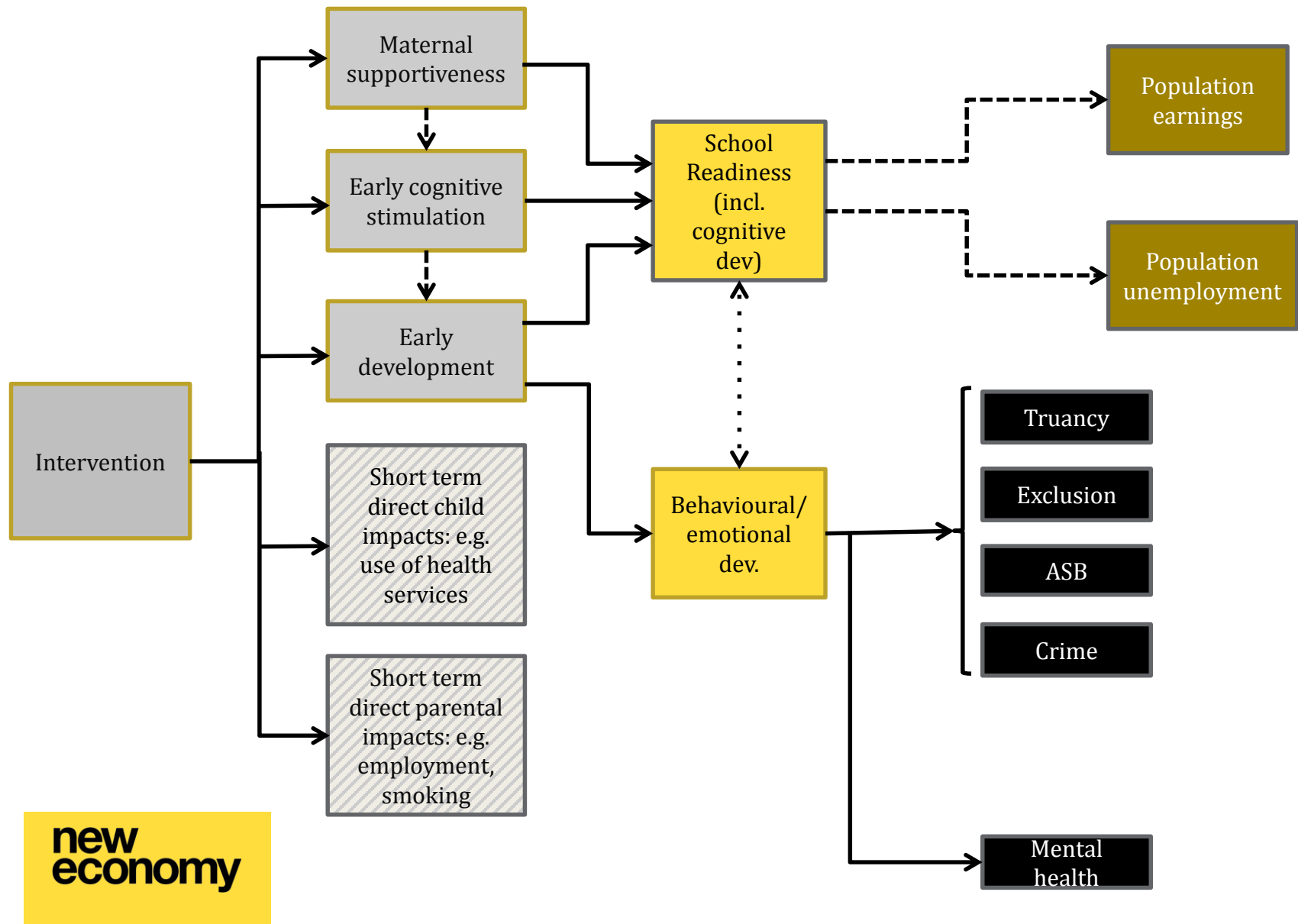
April 2014

- Strong methodology to understand the financial returns of Early Intervention
- Agreed by government
- Linked to Cabinet Office for Social Outcomes Fund

# Cost database

	Outcome category	Outcome detail	Cost code	Cost / saving detail	Unit	Fiscal Cost	
						Updated cost/saving	
+	SOCIAL SERVICES	ADULT RESIDENTIAL / NURSING CARE	SS7.0	Residential care for older people - average gross weekly expenditure per person, England	Per week	£ 554	<a href="#">Personal Social Costs, 2010-11 F level detailed uni</a>
	SOCIAL SERVICES	ADULT RESIDENTIAL / NURSING CARE	SS8.0	Nursing care for older people - average gross weekly expenditure per person, England	Per week	£ 567	<a href="#">Personal Social Costs, 2010-11 F level detailed uni</a>
	SOCIAL SERVICES	ADULT RESIDENTIAL / NURSING CARE	SS9.0	Residential and nursing care for older people - average gross weekly expenditure per person, England	Per week	£ 559	<a href="#">Personal Social Costs, 2010-11 F level detailed uni</a>
+	SOCIAL SERVICES	INTERMEDIATE CARE	SS10.0	Intermediate care based in residential home - average cost per bed day per person	Per day	£ 139	<a href="#">National Audit of</a>
	SOCIAL SERVICES	REABLEMENT	SS11.0	Reablement Service - average cost per service user	Per user	£ 2,212	<a href="#">Unit Costs of Heal (Curtis, 2011), p.9</a>
+	SOCIAL SERVICES	HOME / COMMUNITY CARE	SS12.0	Average gross weekly cost of home care packages for older people, England	Per week	£ 186	<a href="#">Personal Social Costs, 2010-11 F level detailed uni</a>
+	SOCIAL SERVICES	HOME / COMMUNITY CARE	SS13.0	Average gross weekly cost of day care or day services for older people, England	Per week	£ 113	<a href="#">Personal Social Costs, 2010-11 F level detailed uni</a>
+	SOCIAL SERVICES	ADULTS WITH LEARNING DISABILITIES	SS14.0	Average gross weekly expenditure on supporting adults with a learning disability in residential care, England	Per week	£ 1,356	<a href="#">Personal Social Costs, 2010-11 F level detailed uni</a>
	SOCIAL	ADULTS WITH	SS15.0	Average gross weekly expenditure	Per week	£ 926	<a href="#">Personal Social</a>

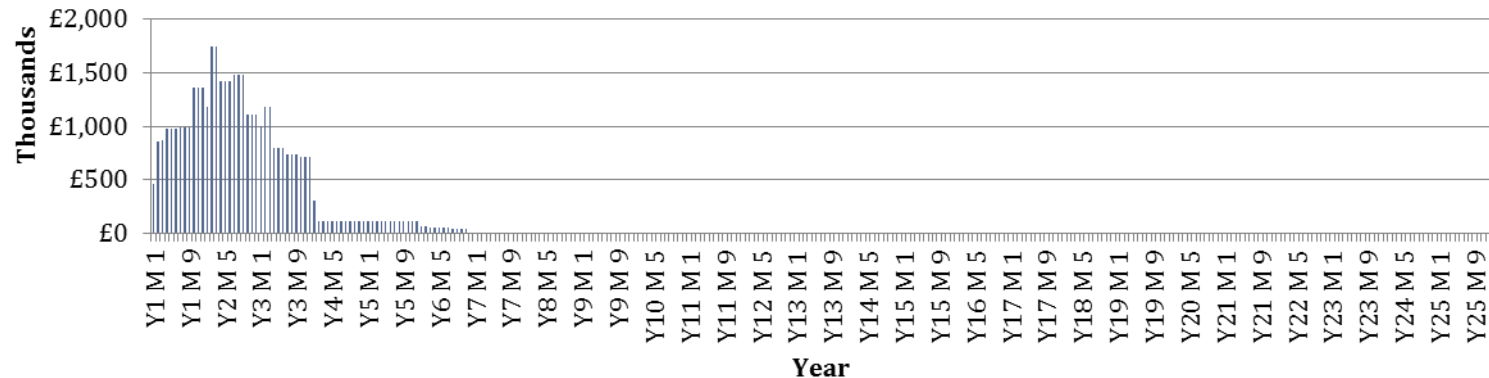
# GM Early Years Logic Tree



# GM Early Years Costs and Benefits Profile

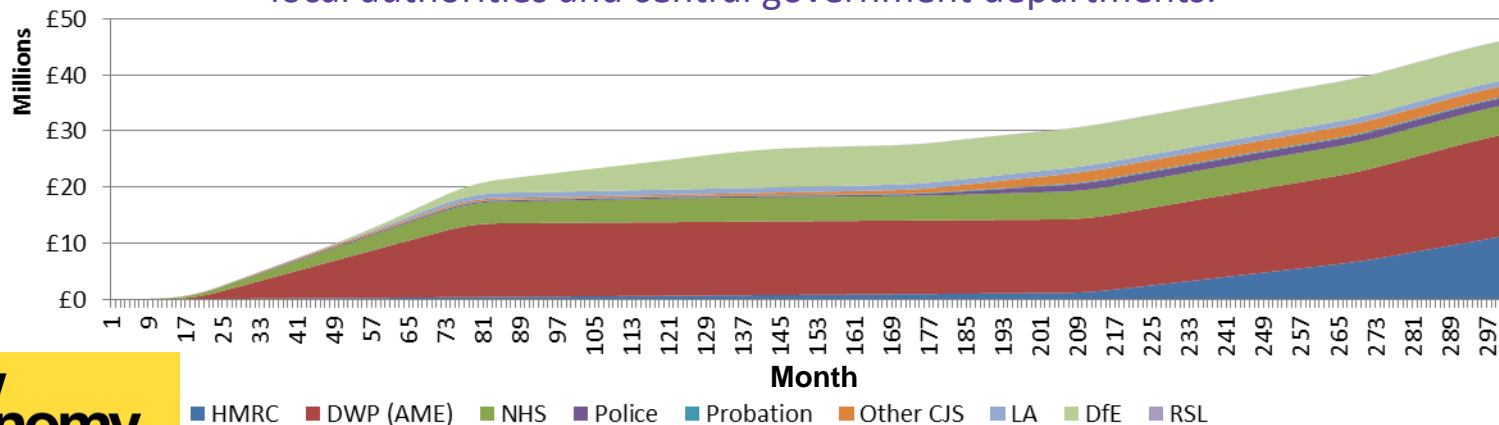
Early savings are driven largely by maternal employment with child-related savings increasing in secondary school and again in adulthood.

**NDM Cost profile – over 25 years**



**Cumulative Gross Savings Apportionment (Agencies)**

The cumulative gross savings shows the timing of savings and the splits between local authorities and central government departments.



# Is Social Investment part of the solution?

- Extra up front funding required to increase the scale of early intervention
- LA budgets increasingly squeezed for Early Years Investment
- Medium to long term return on investment
- Need to get agreement on PbR from DWP, DfE/Schools and Health partners



**Any questions?**

**[julian.cox@neweconomymanchester.com](mailto:julian.cox@neweconomymanchester.com)**



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# Tri-borough Social Impact Bond project – Lessons and opportunities

## Early Intervention Foundation workshop, 28 April 2014



## SIB project aims

Tri-borough Children's Services with support from the Big Lottery Fund have been working to develop a new model of social investment for families with multiple and complex needs.

We wanted to achieve 3 learning outcomes from the project:

1. Viability of a Social Impact Bond to address the needs of complex families
2. Developing the evidence base of interventions for families with complex needs
3. Potential for social investment as a long-term tool to reduce costs across the public sector.



## SIB project work

Between June 2013 and January 2014, Tri-borough Children's Services and Social Finance undertook two phases to develop an outline business case:

### Analysis

- In-depth analysis of 50 families with long histories of contact with Children's Services and where one or more children ultimately became looked after
- Built greater understanding of social need, impact on Children's Services and wider public sector

### Design

- Research into good practice with practitioners, commissioners and colleagues across the country to develop model of intervention
- Strong consensus among professionals on what works but no evidence base

### Outline Business Case

- New model of holistic intervention to prevent children entering care
- Proposal for 3 year pilot as a pathway to social investment



## SIB project lessons

- **Significant value from in-depth analysis**
- **Understanding of potential social investors**
- **Evidence base is key but elusive for complex social issues**
- **Defining success**
- **Flexibility in thinking**
- **Still more to do on information sharing across public sector**



# SIB project opportunities

- Further development and analysis of issues for **Children's Services**
- **Wider system change?**
- **Infrastructure for better recording and monitoring?**
- **Edge of Custody / serious offending?**
- **Early intervention, but:**

Can we better predict an earlier point for intervening?

How do we quantify impact?



London Borough of  
Hammersmith & Fulham

Hammersmith Town Hall  
King Street  
London W6 9JU

[lbhf.gov.uk](http://lbhf.gov.uk)

The Royal Borough of  
Kensington and Chelsea

The Town Hall  
Hornton Street  
London W8 7NX

[rbkc.gov.uk](http://rbkc.gov.uk)

Westminster City Council

Westminster City Hall  
64 Victoria Street  
London SW1E 6QP

[westminster.gov.uk](http://westminster.gov.uk)



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# Centre for Social Impact Bonds

Early Intervention Foundation Social Investment Event

28 April 2014



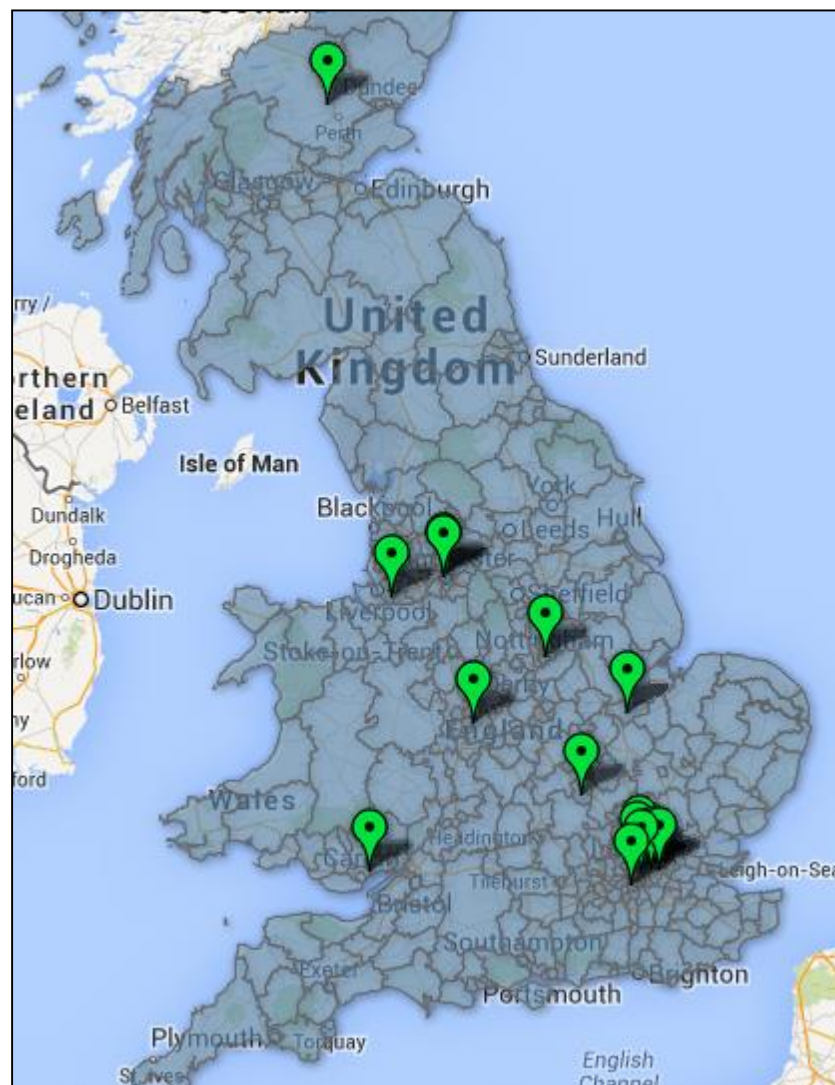
# Why Social Impact Bonds?

- Innovation
- Finance
- Risk

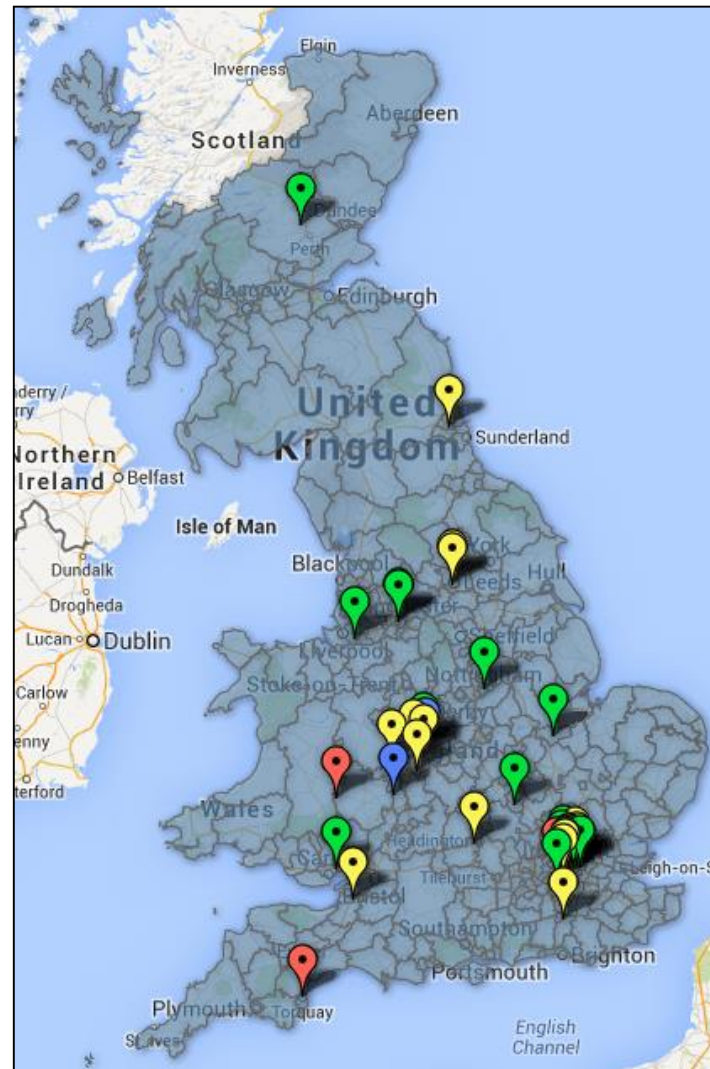
# What we have to offer

- Contacts
- Expertise
- Money

# SIBs to date...



## SIBs in development...



# Further information

[sibs@cabinet-office.gsi.gov.uk](mailto:sibs@cabinet-office.gsi.gov.uk)

# SOCIAL IMPACT BONDS AND EARLY INTERVENTION

**Lisa Barclay, Director**  
[Lisa.barclay@socialfinance.org.uk](mailto:Lisa.barclay@socialfinance.org.uk)

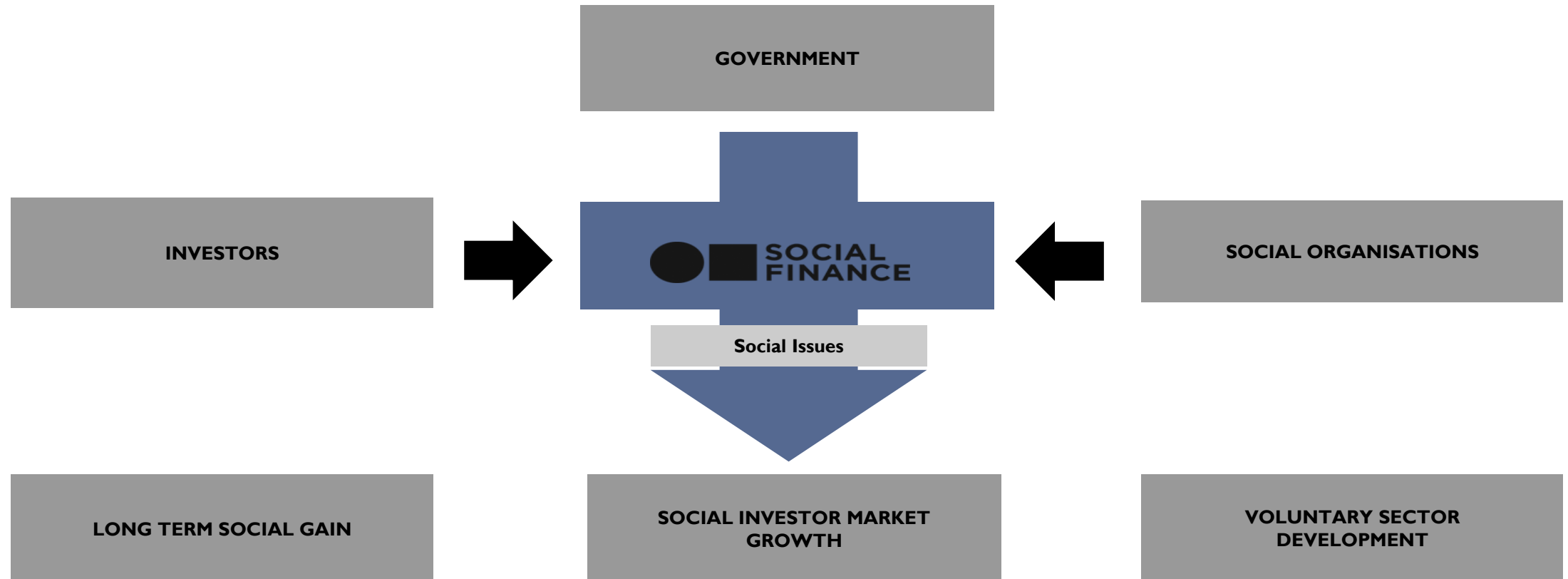


## ABOUT SOCIAL FINANCE

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OUR MISSION IS TO IDENTIFY SUSTAINABLE AND SCALABLE FUNDING MODELS TO TACKLE ENTRENCHED SOCIAL PROBLEMS



ONE AREA OF OUR WORK HAS BEEN TO DEVELOP OUTCOME-FOCUSED FINANCE – SOCIAL IMPACT BONDS



## INTRODUCTION TO SOCIAL IMPACT BONDS

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- The Social Impact Bond is a means of investing in intensive prevention services where improved social outcomes are likely but not certain.
- Social Impact Bonds are contracts with public sector commissioners under which government commits to pay for improved social outcomes.
- On the back of this contract, investment is raised from non-governmental investors.
- This investment is used to pay upfront for a range of interventions to improve social outcomes.
- Investors are repaid only if successful outcomes are achieved. Investors stand to lose some or all of their capital if positive outcomes are not achieved.
- The investor takes the risk that the interventions do not deliver the desired outcomes. The greater the improvement, the greater the financial return to investors.



SOCIAL IMPACT BONDS  
BRING NEW INVESTMENT TO  
BEAR ON SOCIAL ISSUES,  
AND ALIGN ALL PARTIES  
AROUND A COMMON GOAL.

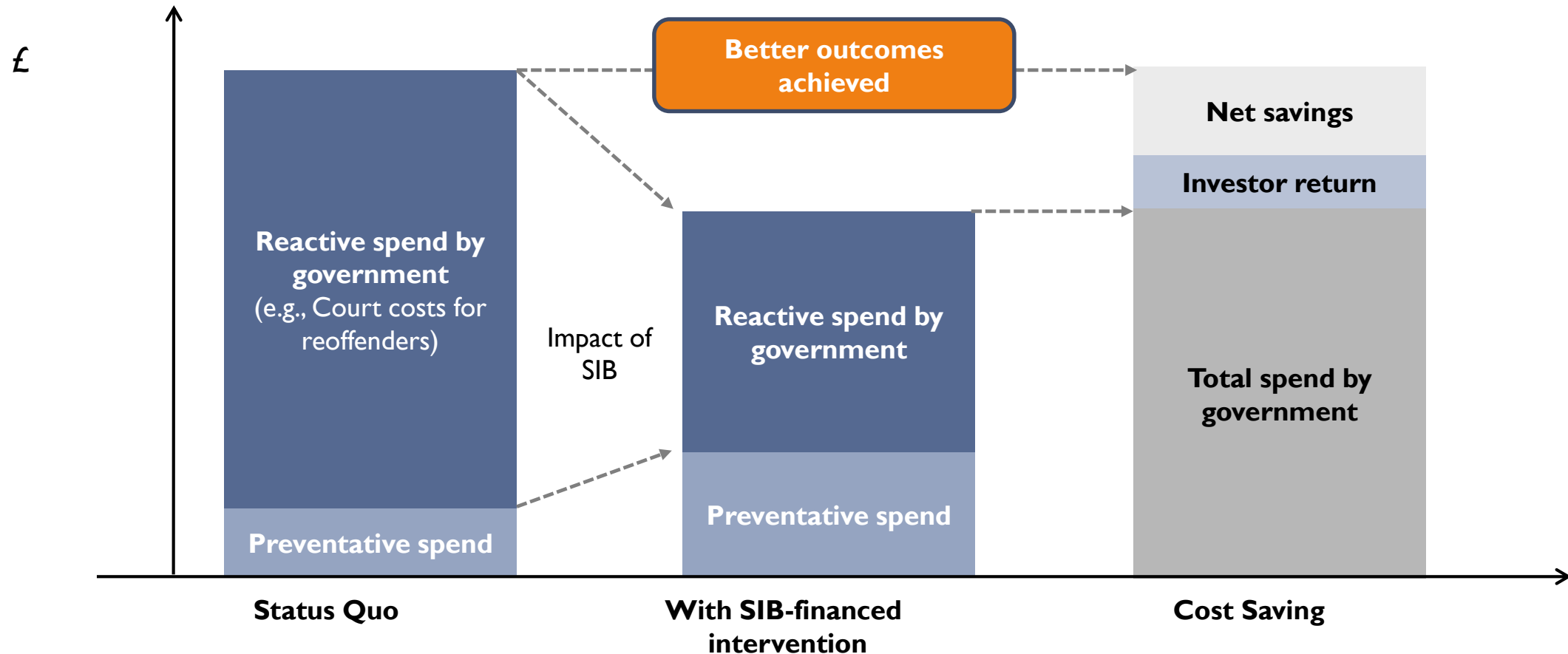




# SOCIAL IMPACT BONDS CAN SAVE GOVERNMENT MONEY WHILE IMPROVING OUTCOMES

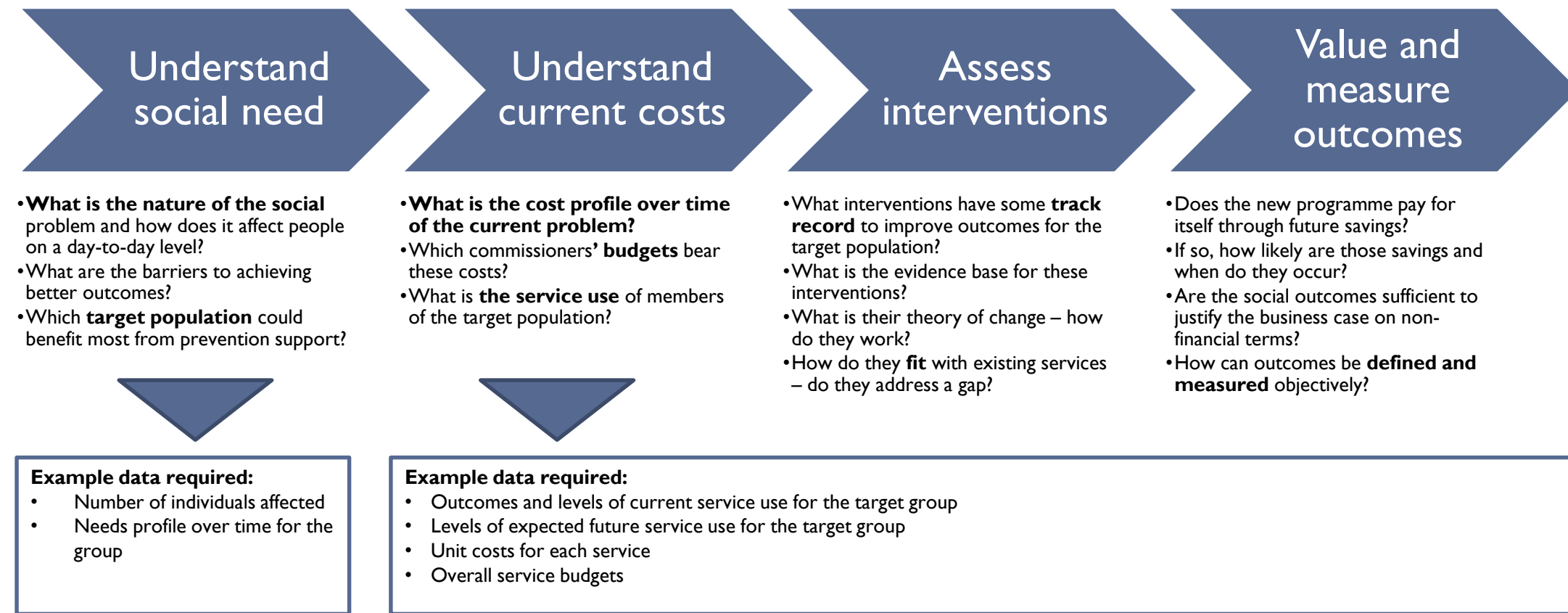
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SIBs work when the cost of achieving the target outcome is substantially less than the resulting public sector saving.





**Building a business case for prevention programmes requires understanding the current needs and costs of the problem. The stages of building such a business case are as follows:**

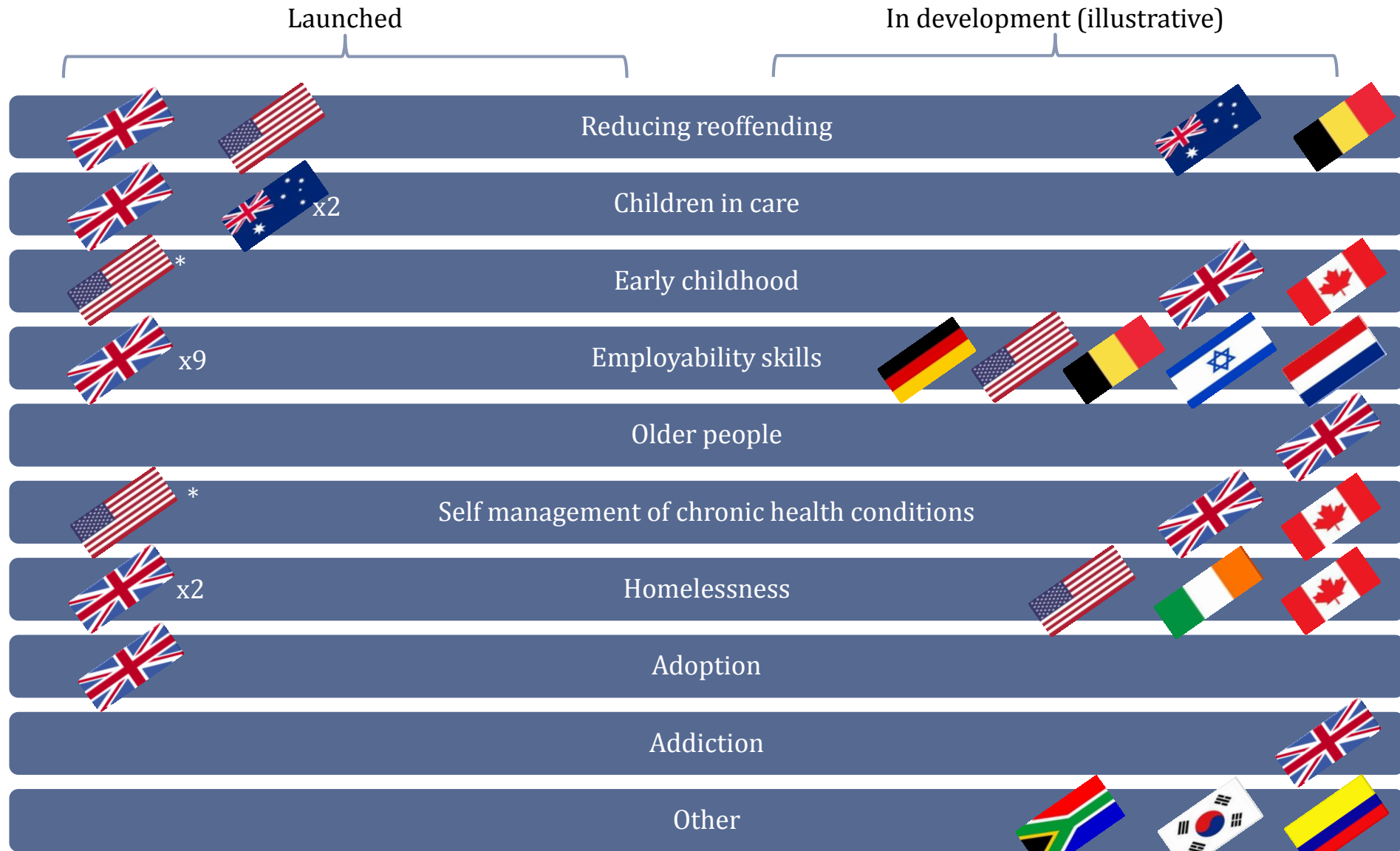


**RELIABLE LOCAL DATA ON EXISTING AND FUTURE SERVICE USE IS REQUIRED TO BE CONFIDENT ABOUT THE CURRENT COSTS OF THE PROBLEM**



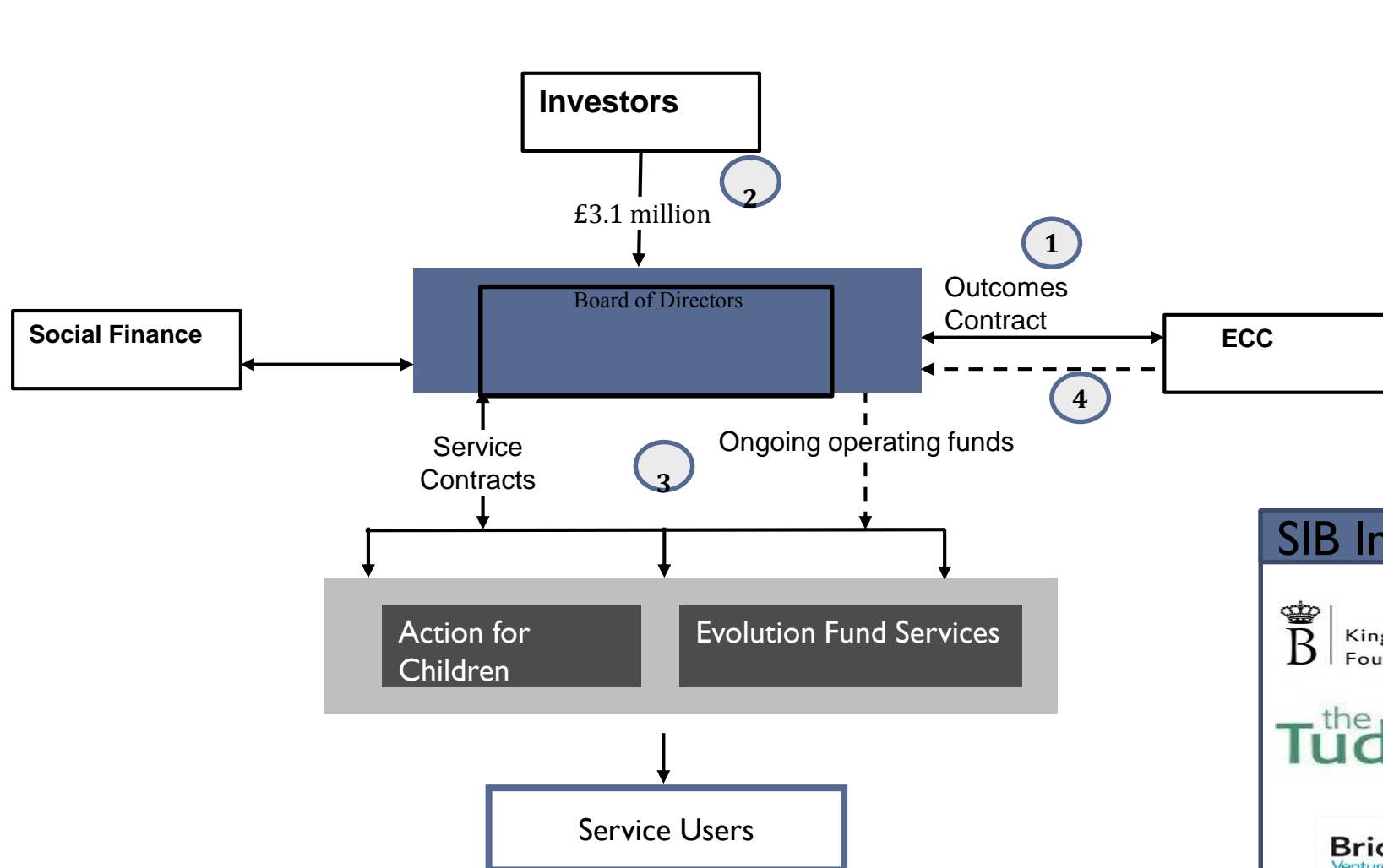
## SIBs: UK AND INTERNATIONAL ACTIVITY

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## SIB IN PRACTICE - ESSEX CASE STUDY



- 1 CSSL and ECC enter Outcomes Contract
- 2 Investors fund CSSL
- 3 Funds released to service providers according to Service Provider Agreement
- 4 ECC returns a % of savings from reduced cost of care placements





## WHAT ATTRACTS SOCIAL INVESTORS TO SIBS

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### Local interest

- Some are keen to support their local communities e.g. Community Foundations

### Social issue

- All investors are committed to improving outcomes for vulnerable young people

### Learning and innovation

- Essex SIB attracted Belgian foundation and German social investment fund

### Engagement

- Some like to be involved in business case development



### Intervention

- Scaling up promising approaches which have potential to transform outcomes and reshape service delivery

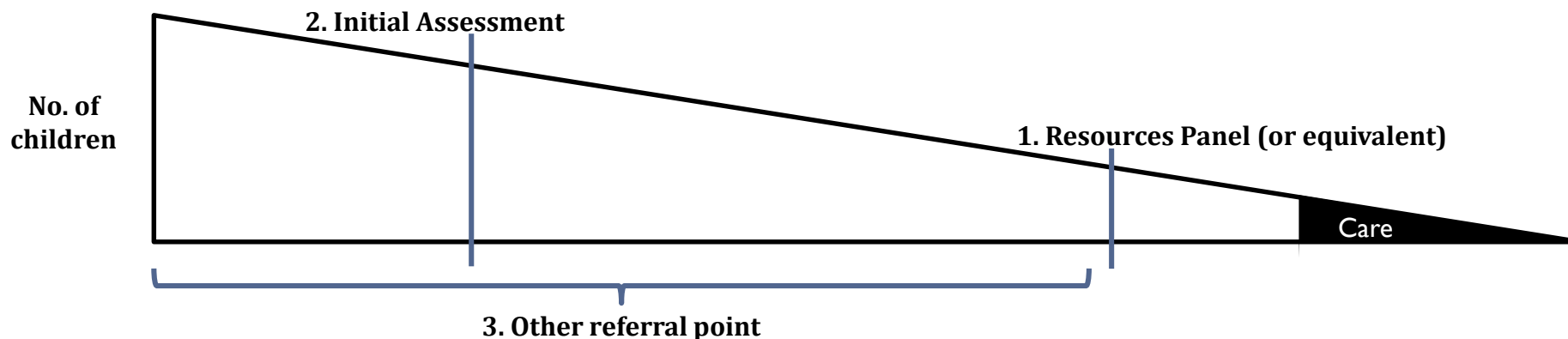
Applies **investment approach** to delivering improved social outcomes

- Rigour, focus, data analysis



### Building a robust business case for early intervention requires an understanding of how to target those most at risk of negative outcomes

- The SIB business case requires an understanding of the current cost of the problem.
- For children at the **edge of care** the business case for funding interventions at a particular point of contact depends on an **estimate of the likelihood of care entry** in the absence of the new intervention.
- **The earlier the point of intervention, the less confident we are of this estimate** and so it is difficult to build a compelling business case with any confidence – notwithstanding that practitioners would much prefer a basis for intervening earlier



Referral Point	Cost of care journey (A)	% chance of entering care (B) - Illustrative numbers	Expected care cost of child (C=AxB)
1. Resource Panel	£200k	75%	£150k
2. Initial Assessment	£200k	10%	£20k
3. Other	£200k	?	?



WE NEED A PREDICTIVE MODEL IN ORDER TO IDENTIFY AT AN EARLIER STAGE WHICH CHILDREN ARE MOST LIKELY TO ENTER CARE



# SUPPORT AVAILABLE FOR SIB DEVELOPMENT: BIG LOTTERY AND CABINET OFFICE FUNDS

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## What are the funds?

- Big Lottery Fund's 'Commissioning Better Outcomes' fund makes £35m available in top-up funding for SIBs
- The Cabinet Office's 'Social Outcomes Fund' makes £20m available in top-up funding for SIBs and other PbR mechanisms as a means of contributing to financial benefits to central government which are generated locally, and testing innovation in public service redesign
- There is a single application and entry point for both funds. The funds are working together to support local commissioners to use SIBs to achieve social and financial impact. Commissioners do not need to state which fund they are applying to.
- The funds are available to commissioners in England

## What will the funds cover?

- a 'top-up' to commissioners' outcomes payments – could represent: non-cashable savings or benefits to other public sector commissioners
- development funding - for commissioners to purchase technical support to develop their Social Impact Bond (available to commissioners regardless of which fund ultimately makes top-up outcomes payments)

## Outcomes payments

- no minimum or maximum funding available
- average amount of funding is expected to be around £1 million
- expected that the average contribution to be around 20% of the total outcomes payments.

## Development funding

- between £10,000 and £150,000 of development funding following approval of an Expression of Interest

## Two-stage application process – single application form and entry point for both funds:

1. Expression of Interest – Outline of proposal
2. Full application – Detailed proposal



## COMMISSIONING BETTER OUTCOMES FUND SUPPORT CONTRACT

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- The Local Government Association and Social Finance have been commissioned by the Big Lottery Fund to support applications to Commissioning Better Outcomes and the Social Outcomes funds.
- Over the next two years, we will be providing a range of events, publications and direct support to help commissioners develop SIBs which can seek top-up outcomes payments from the Funds
- The Funds are designed to make the journey from initial thinking about a SIB to launch and implementation easier for commissioners, and ultimately to support the launch of more SIBs

Awareness raising	Targeted Engagement	Intensive Support	Needs Assessment and Sign-posting	Learning and Dissemination
<ul style="list-style-type: none"><li>• Articles in the mainstream, local and trade press within the contract</li><li>• Mailshots to LA commissioners</li></ul>	<ul style="list-style-type: none"><li>• Thematic &amp; Specialist workshops</li><li>• Workshop at LGA Annual conferences</li><li>• SIB engagement at LGA leadership programme</li><li>• SIB engagement at LGA board events</li><li>• Webinars</li></ul>	<ul style="list-style-type: none"><li>• Intensive support with commissioners on how to develop thinking on a SIB and complete the expression of interest</li></ul>	<ul style="list-style-type: none"><li>• Review of submitted and accepted Eols</li><li>• Feedback on areas of SIB proposition requiring further work</li><li>• Sign-post to support providers who can assist applications</li></ul>	<p>Interactive SIB development tools:</p> <ul style="list-style-type: none"><li>• Technical guides</li><li>• Podcasts</li><li>• Case Studies</li></ul>



FULL INFORMATION CAN BE FOUND AT [WWW.SOCIALFINANCE.ORG.UK/SIOUTCOMESFUNDS](http://WWW.SOCIALFINANCE.ORG.UK/SIOUTCOMESFUNDS)

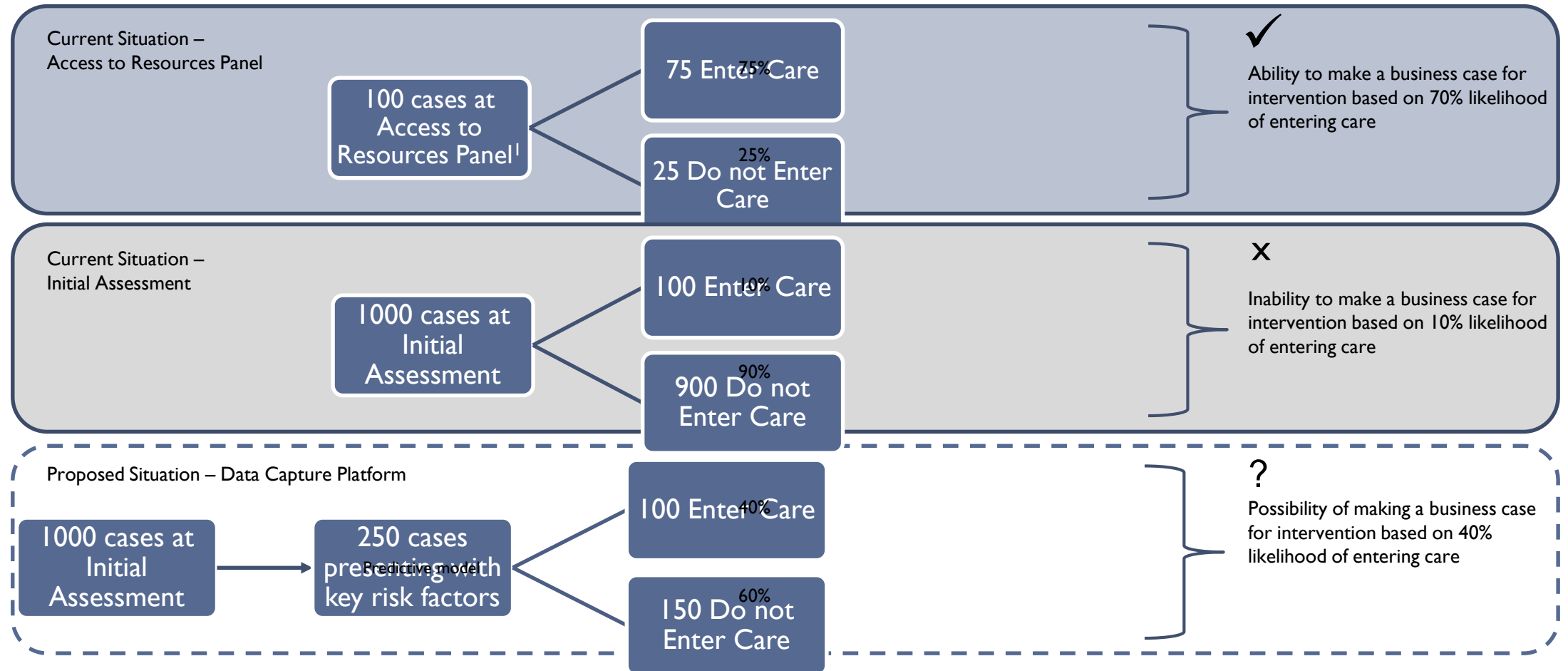






## APPENDIX: HOW DO WE UNDERSTAND THE % CHANCE OF ENTERING CARE?

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WE NEED TO IDENTIFY WHICH CHARACTERISTICS ARE PREDICTIVE OF CARE ENTRY IN ORDER TO INTERVENE EARLIER WITH CONFIDENCE

PRESENTATION BY:

Dr Chih Hoong Sin

Director

OPM

252B Gray's Inn Road

London WC1X 8XG

Email: [csin@opm.co.uk](mailto:csin@opm.co.uk)

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# Early Interventions and Social Investment

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Personal reflections



CLASSIFICATION: RESTRICTED EXTERNAL



## What I am drawing upon

### Social Impact Bond (evaluations)

- Multi-systemic Therapy (Essex County Council)
- Peninsula LIST (Local Integrated Services Trust) (Torbay, Devon, Plymouth, Cornwall)

### Early Years, Children & Young People

- Birth, early language development, school-based (behavioural, attainment), mental health, etc

### Supporting providers

- Using the Public Services (Social Value) Act
- Demonstrating impact, as well as economic and social value

### Supporting commissioners

- Commissioning for better outcomes
- Governance, systems change, new organisational forms, OD

## What I have noticed

### Focus

- On technicalities of setting up SIB, esp. governance and measurement
- Long lead in time, but largely on getting technicalities 'right', rather than on any systems-level thinking or OD work
- Once implemented, systems change playing 'catch-up'

### Contracting for social impact, for whom?

- The earlier the intervention, the longer term the outcomes, the more challenging it will be to commission for social impact
- System-defined outcomes, where is public/service user voice?

## What I have noticed

## Scale and costs

- it is the scale of savings that is key consideration, i.e. not necessarily the size/reach of an intervention
- possible 'invisible' costs, especially to the system

## Buy-in

- from own staff
- from partner agencies
- from potential service users and wider public

## What I have noticed

### In-built bias?

- Favours strongly 'evidence-based' interventions, but preference in study designs (i.e. RCTs)
- Implications for selection of types of interventions

### In-built tension?

- Logic of 'social impact'/'finance' creates opportunities for VCS
- Approach has strong monitoring/evaluation requirements, but goes beyond conventional evaluation requirements as it is tied to contracting and payment
- VCS often experience challenges in monitoring/evaluation

Some thoughts  
regarding ways  
forward

1. Have sufficient lead-in time for systems change, recognising the human resource, infrastructural, process/protocol implications
2. Work out how the technical requirements (e.g. governance, data, etc) work with existing and new systems
3. Involve different perspectives in surfacing what is important
4. Build capacity within VCS organisations
5. How can we incentivise 'market' development?



# Thank you

