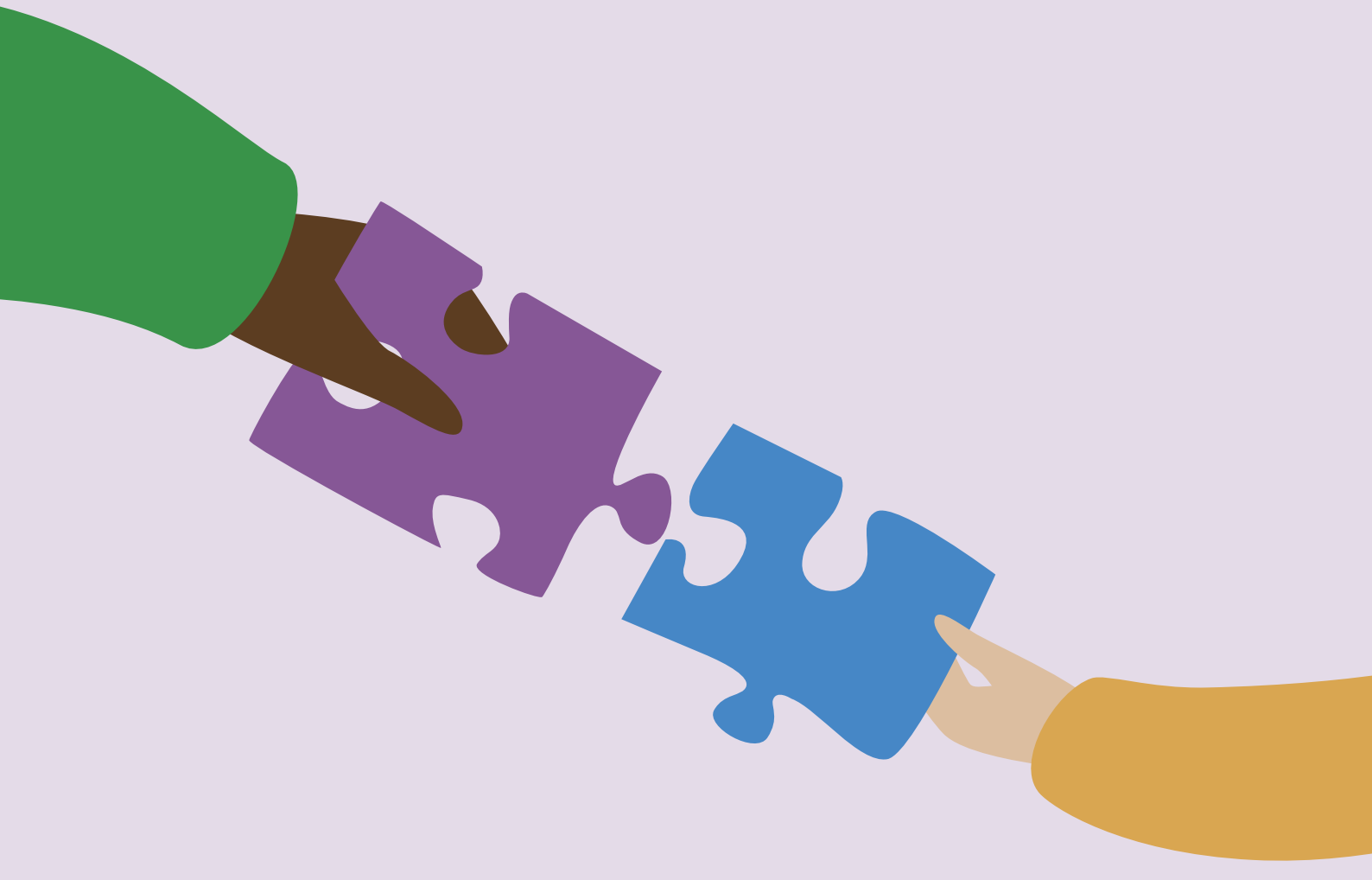# The use of social impact bonds in children's social care:

A comparative analysis of project justifications and design considerations in the Life Chances Fund

SUMMARY REPORT

May 2021

About the Government Outcomes Lab

The Government Outcomes Lab (GO Lab) is a research and policy centre based in the Blavatnik School of Government, University of Oxford. It was created as a partnership between the School and the UK Government and is funded by a range of organisations. Using qualitative, quantitative and economic analysis, it investigates how governments partner with the private and social sectors to improve social outcomes.

The GO Lab team of multi- disciplinary researchers have published in a number of prestigious academic journals and policy-facing reports. In addition, the GO Lab hosts an online global knowledge hub and data collaborative, and has an expansive programme of engagement and capacity-building to disseminate insights and allow the wider community to share experiences with one another.

CONTEXT FOR THE RESEARCH REPORT

The Life Chances Fund (LCF) is an £80 million fund designed to help people in society who face the most significant barriers to leading happy and productive lives. The fund is dedicated to supporting the growth and development of outcomes-based commissioning through the use of social impact bond (SIB) approaches. Local authorities fund the majority of the outcome payments. The UK's Department for Digital, Culture, Media and Sport (DCMS) complements this with 'top up' outcomes funding through the Life Chances Fund.

The LCF places emphasis on evaluation and learning. This connects with UK government's ambition to improve the quality and quantity of evidence around SIBs. The evaluation strategy[1] for the LCF describes three layers of evaluation activity at the level of i) the fund, ii) the SIB mechanism and iii) local implementation. The GO Lab research team is leading the SIB mechanism evaluation. This report forms part of the detailed 'supplementary' stream[2] of evaluation work. The research in this report does not constitute a full, detailed longitudinal investigation of the SIB mechanism, as initially scoped in the supplementary evaluation stream. The report provides cross-sectional, comparative analysis across a series of SIBs in England. The research investigates the justifications and alternative SIB design approaches adopted by local commissioners of SIBs to support children and families who are 'at the edge' of (or already within) the statutory care system. The GO Lab invited seven of the successful LCF applicants to participate in this comparative study. These projects kindly provided access to internal documents and participated in semi-structured learning workshops, described in Section 1.4 in the main report.

Each of these SIBs has been tailored to the local context and has developed a distinct outcomes specification and payment mechanism. There is a strong degree of interest in the wider adoption of SIBs in this policy area but little is known about the justifications, alternative priorities, and (any) trade-offs that are made in the design of these SIBs. Policymakers (such as DCMS and its Civil Society and Youth team) seek to substantially grow the understanding of the SIB model and identify whether SIBs are a route to deliver better outcomes and value for money compared to alternative commissioning approaches.

This study is the most detailed comparative investigation of SIBs within children's social care to date. It draws on unique access to LCF administration documents, detailed project data and qualitative insights from local government teams.

The main report, on which this summary is based, is available at [Link to GOV.UK].

THE GROWING USE OF IMPACT BONDS IN CHILDREN'S SOCIAL CARE

SIBs, first pioneered in the UK from 2010, are a model for organising and delivering public services. As a form of outcomes-based commissioning, they seek to leverage social investment through a payment-by-results contract to address complex social problems such as homelessness, the care of vulnerable children, and youth disengagement. By bringing together commissioners (often central or local government), service providers (usually from the voluntary, community and social enterprise sector) and investors (typically social or philanthropic), SIBs attempt to improve social outcomes. In October 2020, there were 88 SIBs in the UK, 21 of which were projects within child and family welfare.[3]

There is currently limited assessment of the justifications for using Social Impact Bonds (SIBs) to support children and families who are 'at the edge' of care (please refer to the Glossary at the end of this report for definitions) or already within the statutory care system. This research aimed to study seven social impact bonds focussing on children's social care in England, commissioned as part of the Life Chances Fund. With an emphasis on local government perspectives, it aimed to improve the understanding of justifications for using social impact bonds, development processes, and design considerations for projects within this policy area. The report is intended for a wide audience, but will be particularly relevant for researchers, practitioners, and policymakers interested in the adoption of social impact bonds within children's social care.

This research study has the following objectives:

- To investigate the main justifications adopted by local authority commissioners who are adopting SIB structures in children's social care

- To articulate commissioners' rationales as distinct theories of change for each of the SIBs as a commissioning mechanism, that is, *what is distinctive - or perceived to be more promising - about the SIB approach compared to more conventional commissioning models?*

- To explore the development processes and timelines of these projects

- To identify common challenges and facilitators to developing SIBs for complex children's social services

- To explore the design considerations and probe the degree of standardisation across projects in the children's social care policy area

Seven of the Life Chances Fund projects relate to children's social care (geographical locations presented in **Figure 1** right). Each project supported the research (for headline project details, see **Figure 2** page 6) by participating in a structured and practical 'learning workshop.' Here the GO Lab research team brought together participants from each project's local government development team[4], to help them reflect on the process of developing their SIBs.

---

1 Government Outcomes Lab, 2019

2 Department for Digital, Culture, Media and Sport; Government Outcomes Lab, 2019

---

3 Government Outcomes Lab, 2020

4 There was considerable variation in size and expertise held by the development teams across the evaluation sites. For example, some were spearheaded by one person who was seen as having an unusual blend of commercial expertise alongside a deep understanding of Children's Social Care, others were larger and could span multiple councils and external organisations.

These workshops involved 39 participants in total (a mean of 6 participants per workshop, and a range of 1 - 11 participants), and included key decision makers as well as representatives from finance, procurement and other related departments. In the situation where only one participant was involved, this took the format of an interview but the content reflected that of the workshops. Although public sector staff were the main focus of our research, some key investor and provider representatives were also included (n = 4) in SIB projects where they were perceived as integral by commissioners during the development phase.

In addition, three semi-structured interviews were used to probe and consider particular design choices and processes for developing specific aspects of the SIB (e.g., how was the 'outcomes specification' developed and ultimately decided upon?) and gain insights on COVID-19 adaptation. A detailed review of project documentation (e.g., LCF application; business case; memos to elected members, cabinet reports) was also conducted. A total of 92 documents were reviewed from across the seven projects, including documents from the DCMS data portal as well as those shared by the projects with the GO Lab research team. These documents were reviewed before each project's workshop and synthesised to highlight key project characteristics, justifications for using a SIB, design considerations, procurement details, and financial modelling. The level of information available for each project through documentary analysis was variable, but was complemented by details provided during workshops.

Figure 1 Locations of the children's social care projects studied (using location of lead local commissioner), based on interpretation of data from DCMS data portal

Project name	Location	Service delivery start date	Duration of service delivery (years)	Service users target number	Service user characteristics	Local outcome payers	Investment fund manager(s)	Intermediary (as reported by projects)	Service provider
Integrated Family Support Service	Staffordshire	2018	6.5	1835	Individuals on the edge of care and in care	Staffordshire County Council (lead commissioner)	Big Issue Invest	-	Addiction Dependency Solutions, Humankind
Fostering Better Outcomes	Cheshire West and Chester	2018	6	30	Individuals on the edge of care and in care	Cheshire West and Chester Council (lead commissioner)	Bridges Fund Management	-	Core Assets
Stronger Families Suffolk	Suffolk	2019	6	288	Individuals on the edge of care and in care	Suffolk County Council (lead commissioner)	Bridges Fund Management	ATQ	Family Psychology Mutual
Stronger Families Norfolk	Norfolk	2019	5	400	Individuals on the edge of care and in care	Norfolk County Council (lead commissioner)	Bridges Fund Management	-	Family Psychology Mutual
Strong Families, Resilient Communities	Lancashire	Withdrew in Autumn 2019	6	854	Individuals on the edge of care and in care	Lancashire County Council (lead commissioner)	-	Outcomes UK	-
Pyramid Project	Staffordshire and surrounding areas	2020	4.5	92	Individuals in care	Staffordshire County Council (lead commissioner), Telford & Wrekin Council, Worcestershire County Council, Wolverhampton City Council, Dudley Metropolitan Borough Council	Big Issue Invest	ATQ, CAT Consultants	National Fostering Agency
DN2 Children's Services Social Impact Bond	Nottinghamshire, Nottingham and Derby	2020	5	423	Individuals on the edge of care and in care	Nottinghamshire County Council (lead commissioner), Nottingham City Council, Derby City Council	Nottingham Futures, Core Assets	-	Core Assets

Figure 2 Overview of the children's social care projects studied, based on interpretation of data from DCMS Data Portal by GO Lab researchers.

Figure 2 left captures high level details on the seven projects within this study, as reported by the projects themselves on the DCMS Data Portal for the LCF. These projects were chosen in early 2019 for two main reasons. Firstly, they focussed on children's social care which was at the core of this report's research questions. Secondly, they were the most advanced projects in this policy area within the Life Chances Fund application process at the time. This gave researchers reasonable confidence that they would be able to launch successfully, or had already done so (in the case of two projects). More detailed information is included on these projects in the main report. Stakeholders involved in the project include intermediaries, but perceptions on who qualifies under this category varies. While some external technical advisors may have been involved during the development stage, these may not always be seen as formal intermediaries by the projects themselves.

Assistance at this stage was often funded by development grants from LCF (see **Figure 3**). All seven projects applied for and received these grants, ranging from £19,500 to £50,000. These grants were used for purposes such as research, developing theories of change, metrics and financials, designing the service, and engaging stakeholders. Parts of the grant were ring-fenced for commissioner capacity building. While most projects used technical assistance from external consultants, only four of these were formally named in development grants, as reflected in Figure 3.

Project name	LCF development grant award (£)*	Date of grant award	Purpose	External technical advisor for development grant (where named)
DN2 Children's Services Social Impact Bond	£50,000	13 Jan 2016	• Research • Theories of change • Metrics and financials • Service design • Stakeholder engagement	Social Finance (named in LCF development grant contract)
Stronger Families Suffolk	£23,153	21 Dec 2016	• Research • Theories of change • Metrics and financials • Service design • Stakeholder engagement	ATQ (named in draft business case)
Fostering Better Outcomes	£19,500	15 Feb 2017	• Research • Metrics and Financials • Service Design • Stakeholder Engagement • Commissioner capacity building (up to £5000 only)	
Integrated Family Support Service (IFSS)	£35,000	15 Feb 2017	• Research • Theories of Change • Metrics and Financials • Service Design • Stakeholder Engagement • Commissioner capacity building (up to £5000 only)	
Stronger Families Norfolk	£36,500[5]	29 June 2017	• Research • Theories of change • Metrics and financials • Service design • Stakeholder engagement • Commissioner capacity building (up to £8000 only)	
Pyramid Project	£24,500	27 Oct 2017	• Research • Metrics and financials • Stakeholder participation • Commissioner capacity building (up to £8000 only)	ATQ (named in end of development grant form)
Strong Families, Resilient Communities	£24,500[6]	20 Nov 2017	• Research • Metrics and financials • Stakeholder participation • Commissioner capacity building (up to £8000 only)	Outcomes UK (named in LCF development grant contract)

*Includes any additional amounts awarded for Commissioner Capacity Building Uplift.

Figure 3 Overview of LCF development grants received by projects, based on interpretation of data from DCMS Data Portal by GO Lab research team

5 360 Giving, 2017

6 360 Giving, 2017

JUSTIFICATIONS FOR USING SOCIAL IMPACT BONDS IN CHILDREN'S SOCIAL CARE

Following the financial crisis in 2008, a decade of austerity has introduced new financial and demand pressures for local government in the UK. As a result, there are two key sources of pressure on children's social care within English local councils:

1. **Demand pressures:** An increase in the number of children and young people going into care, particularly entering expensive residential placements;

2. **Financial pressures:** Reduced budgets for funding existing children's social care services and initiating new preventative services.

Demand for children's social care in England is rising. According to the Department for Education[7], there has been a marked increase in social care activity between 2010 and 2018 (see **Figure 4** below). The number of referrals during this time also increased by 8%, from around 615,000 in 2010/11 to 665,000 in 2017/18.[8] Residential care placements grew by 36%, while foster care placements grew by 18%.
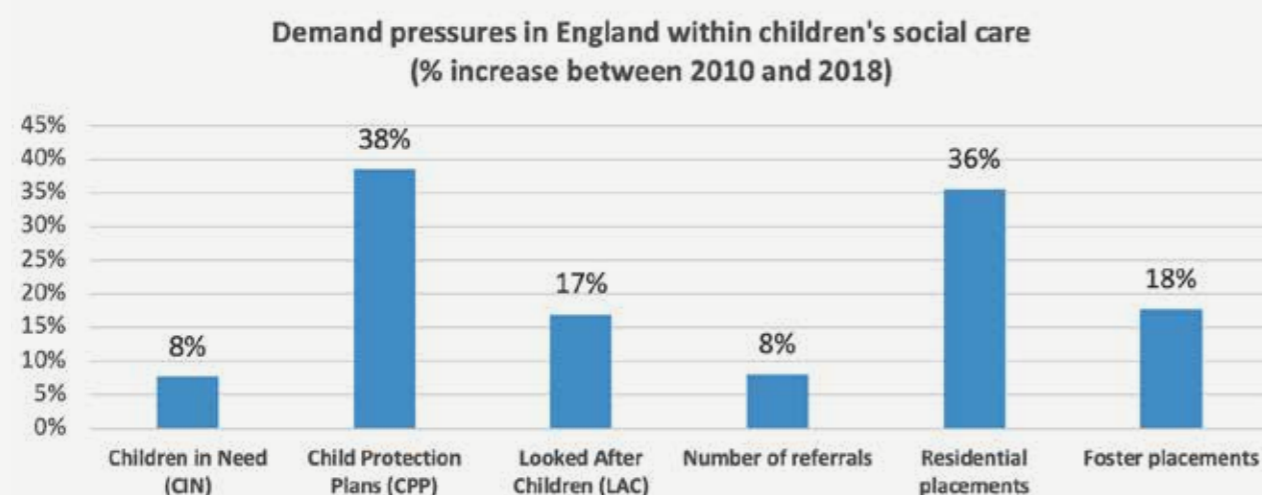

Figure 4 Growing demand pressures in England, based on interpretation of data from Department for Education by GO Lab researchers. Figures for residential placements are a sum of "secure units, children's homes" and "other residential settings."

On 31st March 2019, there were 399,500 children in need and 52,300 children subject to a child protection plan.[9] Several drivers may have contributed to this increase though their relative

7 House of Commons Library, 2019
8 House of Commons Library, 2019
9 Department for Education, 2019

significance is less clear. Poverty; an increase in the overall child population; new and greater risks (e.g., County Lines[10], gang violence, child sexual exploitation); cuts to early intervention services which might have boosted demand for acute social care; and increased awareness in the wake of high-profile cases of child sexual exploitation and child murders are each seen to be important contributory factors.[11]

Meanwhile, austerity measures in the UK have led to significant reductions in central government grants in the last decade[12]. Despite a fall in government funding, local authorities have been able to protect expenditure on children's social care.[13] However, growing numbers of looked after children (average spend of £45,650 per child in 2015/16)[14] combined with increased care costs (for example through increasing use of expensive residential placements), has led to marked increases in financial pressures within local authorities.[15] In England 91% of the local authorities had overspent on children's social care in 2017-18, compared to 63% in 2010-11. This equates to a national overspend of £872 million in 2017-18.[16] The Local Government Association (LGA) has estimated that children's services will face a £1.1 billion funding gap in 2019-2020, which is expected to increase to £3 billion in 2024-2025.[17]

As a result of these financial pressures, local authorities have sometimes responded by prioritising statutory children's social care (such as child protection) while reducing spending on non-statutory activities (such as children's centres). This was suggested by participants as part of this research, and is also reflected in the proportion of spending on preventative services which has fallen from 41% in 2010-2011 to 25% in 2017-2018.[18] This shift in spending patterns might exacerbate needs and demand in the future. A more detailed description of the operating context is available in Chapter 1 of the main report.

These pressures have led some councils, such as those who participated in this study, to look for new solutions to address constraints on both the financial and demand side. Research participants' stated reasons for using SIBs in children's social care can be grouped into 'Primary justifications' (the explicitly stated, main drivers behind local authorities using an impact bond to deliver children's social care projects) and 'Secondary justifications' (the indirect benefits or expected advantages that additionally made SIBs attractive) as summarised in **Figure 5** on the next page

10 "County lines" is used to describe drug gangs in large cities expanding their reach to small towns. In many cases, vulnerable individuals are exploited to transport substances, and mobile phone 'lines' are used to communicate drug orders. Home Office, 2020
11 The Association of Directors of Children's Services, 2018
12 Cattan et al, 2019
13 House of Commons Library, 2019
14 Department for Education, 2016
15 National Audit Office, 2018; National Audit Office, 2019
16 National Audit Office, 2019
17 Local Government Association, 2018
18 National Audit Office, 2019

Primary justifications	Secondary justifications
Opportunity to improve outcomes for service users	• Increased collaboration with internal and external stakeholders
• Improving the quality of existing services through a focus on social outcomes	• Geared towards preventative approaches
• Addressing service gaps through expanding service offers	• Impetus for innovation
• Responding to increased demand for care in local authorities	• Demonstrating impact through enhanced transparency and accountability
• Reducing residential placements	• Building technical capabilities
• Developing the foster care market	• Responding to Ofsted imperatives
Opportunity to counter financial constraints	
• External and upfront sources of funding	
• The Life Chances Fund as a subsidy	
• Cost savings and invest-to-save	
• Additional financial resources for experimentation and innovation	
• Low perceived financial risk	

Figure 5 Summary of primary and secondary justifications for using SIBs, based on interpretation of workshop and interview data by GO Lab researchers. Reasons explicitly stated by participants for pursuing SIBs were categorised as "primary" justifications whereas more indirectly stated benefits were classified as "secondary" justifications.

A detailed discussion of these justifications is available in Chapter 2 within the main report. A comprehensive theory of change linking 'inputs' to 'outcomes' for each SIB project can be found in Annex 2.

There was limited articulation of what alternative contracting approaches might have been used to develop these projects, instead of a SIB. This might be because these new projects and initiatives were often intimately bound up with the idea of developing a SIB. Research participants were focussed on availing the "time-limited opportunity" of the LCF funding. A common theme was the appeal of social investment and its perceived upfront nature, which was not available through alternative commissioning structures. Some saw SIBs as an opportunity to improve the service offer beyond what was already being provided. Others made reference to strong performance management and transfer of financial risk to investors, and a focus on outcomes which were features perceived to be stronger in SIBs. Overall, the extent to which SIBs were compared to alternative commissioning or contracting options during initial decision-making processes appears limited.

DEVELOPMENT PROCESSES FOR LCF SOCIAL IMPACT BONDS IN CHILDREN'S SOCIAL CARE

All seven of the SIB projects adopted the 'commissioner-led' model for the development of their impact bond projects through the Life Chances Fund (LCF). This is different to some other projects in the LCF where applications are led by providers or intermediary organisations. Despite this similarity, their individual development journeys and timelines have varied. While there are common elements across the seven, the process of developing a SIB is often non-linear and iterative.

The development trajectories experienced by these SIB projects often overlap with GO Lab's
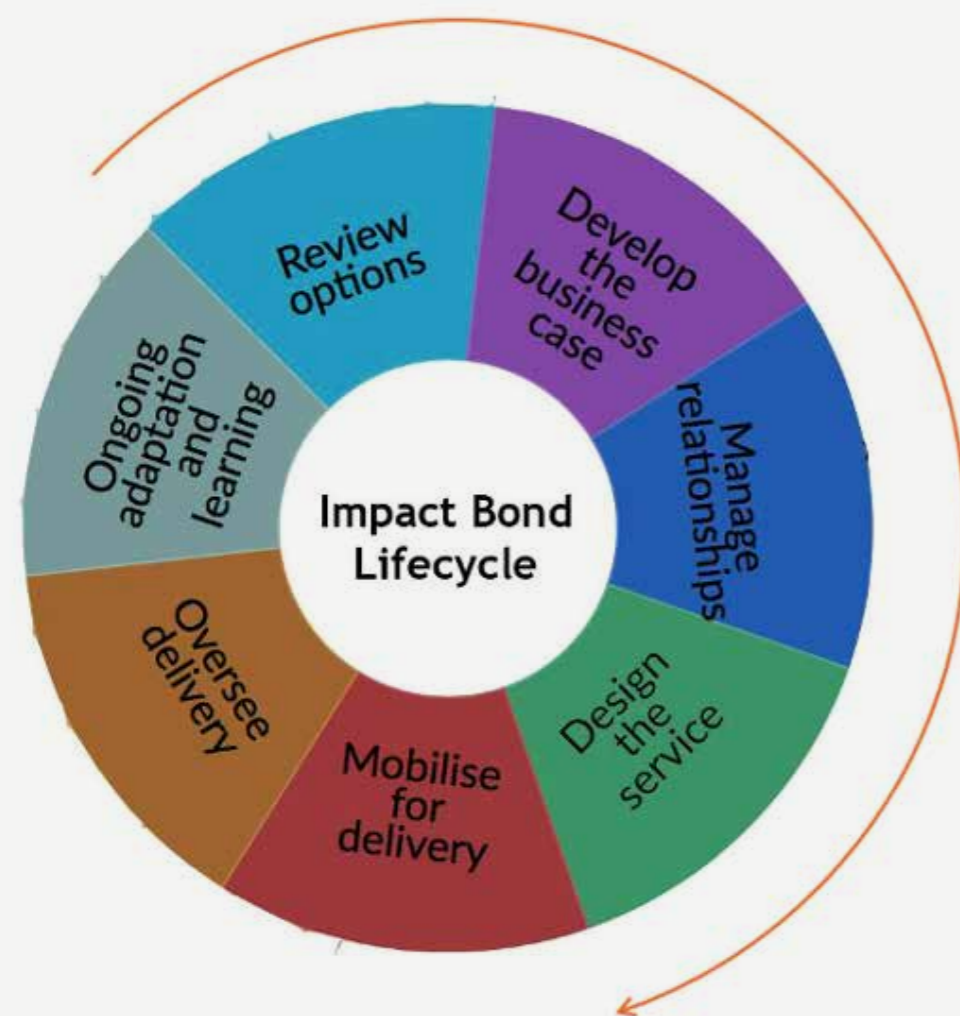

Figure 6 Impact bond lifecycle, Source: Government Outcomes Lab.
The orange arc marks the four stages within the scope of this study.

impact bond lifecycle tool[19] (see **Figure 6** above). This tool provides a rough chronology of the various steps involved in setting up and implementing an impact bond project. As this report focuses primarily on the pre-launch journey for the seven SIBs, our study encompasses only the first four stages within the lifecycle tool: review options, develop the business case, manage relationships and design the service (as marked in the figure above). Chapter 3 in the main report features detailed discussion of each of these stages and their sub-stages.

While it is evident that in reality projects do not follow the clear sequence as presented in the impact bond lifecycle tool, it is still a helpful way to compare projects across what is an otherwise a tangled journey. The summary timelines in **Figure 7** below show that development trajectories looked different in every SIB, but incorporated similar activities. On average, it took between 2.5 – 3 years to fully set up a SIB. Many of the development stages ran in parallel during this time, and the overall process could be iterative and non-linear. The process of "managing relationships" (represented by the green bar in **Figure 7** below) was arguably less of a clearly bounded 'stage' and more of a way of working that participants described as permeating other aspects of development. This stage encompassed a range of elements such as building internal (i.e., within-local authority) consensus, engaging other local outcome payers, engaging investors and providers, and running the procurement process. These were substantive activities across the seven projects. For some projects, there are two distinct green bars. In these SIB projects, the second bar represents a second round of procurement following service launch (e.g., for a new provider or for an evaluator). In most projects, final LCF sign-off was received following the launch of the service. While this was not explored explicitly during interviews, local authorities might have been motivated to start service delivery due to time pressures, for example, the start of the financial year or academic year.

More detailed individual development timelines for each project are included in Annex 3. A summary of the procurement processes adopted by projects is available in Figure 15 in chapter 3, along with a detailed analysis of the projects' development journeys. The technical annex features more detailed procurement analysis for individual projects.
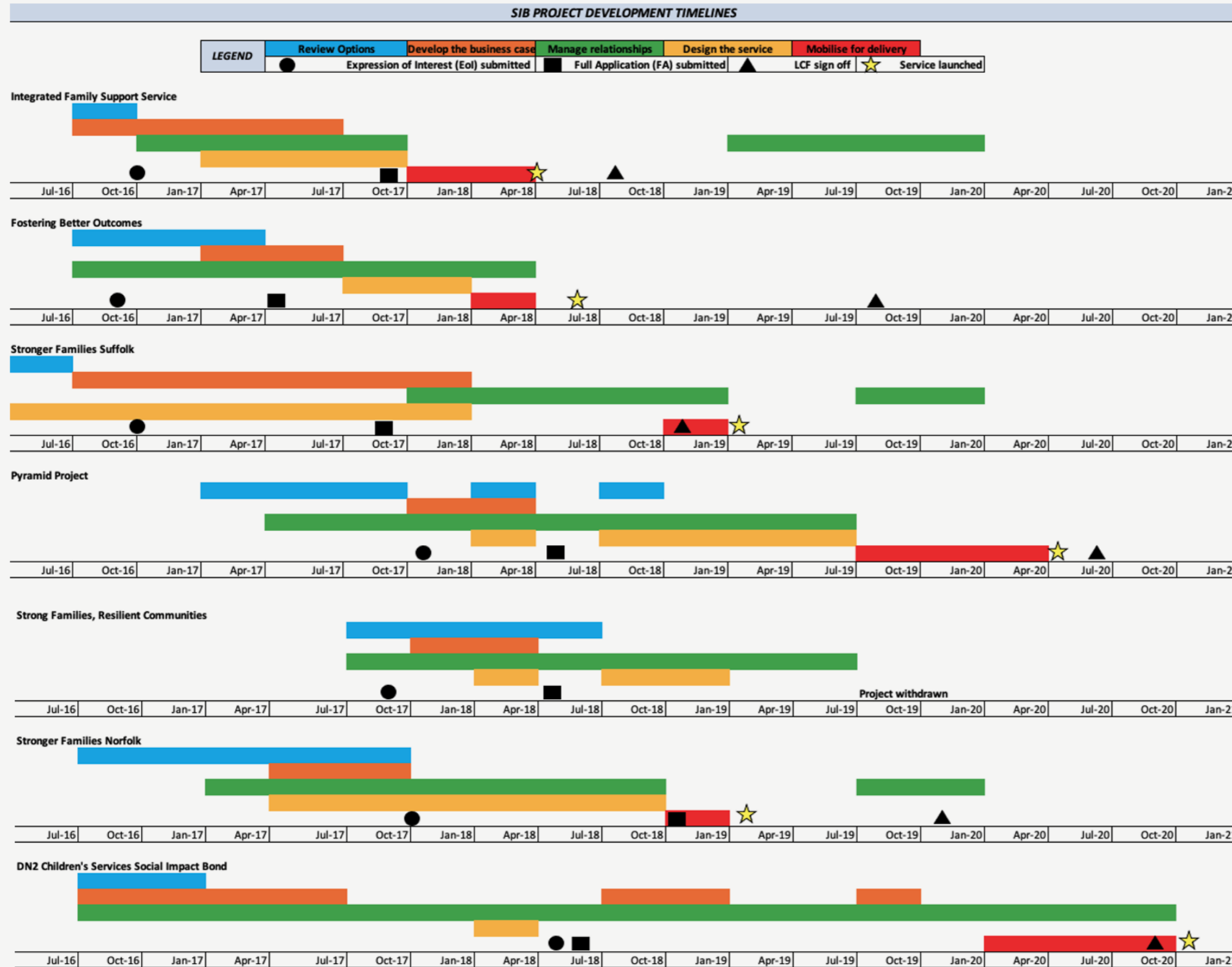
Figure 7 Summary of development timelines across the seven SIBs, based on interpretation of interview data by GO Lab researchers and figures from the DCMS Data Portal. This figure is primarily based on data from interviews with local authority participants. Where possible, this interview data has been triangulated with project documents and data within the DCMS data portal. However, there is some potential for participants to have misremembered events/dates or for researchers to have been misinterpreted these. The level of detail in the participants' descriptions also varied across the seven SIB projects.

FACILITATORS AND CHALLENGES WITHIN DEVELOPMENT PROCESSES FOR LCF SOCIAL IMPACT BONDS IN CHILDREN'S SOCIAL CARE

No two development processes look the same but this group of SIB projects did seem to face common challenges and enabling factors.

Council teams across the SIB projects mentioned several facilitators in the development process. These can be distilled into five overarching factors. These include:

- Top up funding and development grants from the LCF
- Operational preparedness and support
- Creative and engaged procurement approach
- Ambition to deliver additional, high-quality services
- Availability of technical expertise

Facilitator	Sub-themes within facilitator
Top up funding and development grants from the LCF	• Seen as a "subsidy" or "discount" which served as a hook • Perceived as underwriting of risk by central government • Key in building internal consensus for SIB • Key in paying for external support during development phase • LCF deadlines focussed attention of busy local commissioners
Operational preparedness and support	• SIB brought in new skills and provider teams • New and collaborative ways of working, both internally and externally • Early engagement and regular cross-departmental feedback • Social investment fund managers brought new approaches and insights • "Win-win" attitude in balancing interests across sectors
Creative and engaged procurement approach	• Collaborative and trust-based working instead of rule-based or penal conditions • Early market engagement was beneficial • Opportunities to facilitate procurement in creative, new ways
Ambition to deliver additional, high-quality services	• Well designed and high-quality interventions understood to add value • Clear service specifications
Availability of technical expertise	• Often gained externally, through consultants or peers • Most often applied to financial modelling and developing LCF applications

Figure 8 Facilitators within development processes for the seven SIB projects

Research participants also mentioned encountering multiple challenges during the development process. GO Lab researchers have distilled these into five main factors. These include:

- Time and resource intensiveness
- Technical complexity and dependence on external support
- Relational and operational challenges
- Ideological challenges
- Ongoing potential risks

Challenge	Sub-themes within challenge
Time and resource intensiveness	• Protracted development timelines, extending beyond initial expectations • Varying approval processes & competing deadlines amongst local co-commissioners • Procurement was complicated, multi-staged and often delayed • Drain on staff time and effort • LCF processes added to complication • Original assumptions might not hold true by the time of service launch
Technical complexity and dependence on external support	• Difficult to understand SIBs and underlying processes • New ways of doing procurement and partnership building were tricky • Lack of standardised definitions in children's services • Lack of in-house skills for financial modelling & delivery of new services • Dependence on external support incurred additional costs • LCF stages could be complex and unclear
Relational and operational challenges	• Personnel turnover led to gaps in understanding and ownership • Lack of senior leadership continuity • Internal scepticism around financial viability • Multiple local commissioners required extra coordination • Additional reporting and performance management
Ideological challenges	• Some political sensitivities around working with social investors • Fear of being perceived as a Private Finance Initiative and profit making • Added scrutiny of social investors • Continuity and extension of contracts • Pressure to demonstrate better outcomes and cost effectiveness
Ongoing potential risks	• Low financial risk but reputational risks still present • Pressure from partners to succeed • Ultimate risk lies in failing service users • Some concerns on investor returns and value for money

Figure 9 Challenges within development processes for the seven projects

Chapter 4 in the main report discusses these facilitators and challenges in detail.

Looking back on their development journeys, there were a number of elements that local authority teams wished they had been aware of when they started developing their SIB. Participants wished market engagement and procurement had been easier-going, both in the range of available investment fund managers and providers as well as in securing them to work on the project. Where procurement conversations fell apart, SIB projects wished that investment fund managers had been more forthcoming in their reasons so that the participants could learn and adapt. Clear communication on expectations at the start of the project was seen to have been beneficial, especially in terms of the time and resource intensiveness involved.

Above all, amongst research participants there was an overwhelming call for SIBs to be simplified. Participants suggested that simplification could be achieved in a number of ways, such as building and signposting to more templates, providing better guidance on technical aspects such as financial modelling, and streamlining application procedures for outcomes funds. Several local commissioners suggested that ideally, they would have opportunities to build in-house knowledge and skills which would reduce their reliance on external support. Granular data on how similar SIBs had been designed and structured by others was identified as helpful in developing impact bonds.

DESIGN CONSIDERATIONS AND STANDARDISATION WITHIN LCF SOCIAL IMPACT BONDS IN CHILDREN'S SOCIAL CARE

In Chapter 5 of the main report, we explore how projects navigated various concerns and considerations for design components. We also analyse the final decisions made and how the seven SIBs compare across four main design headings:

- Cohort[20] definition
- Outcomes specification, outcome payments, and payment frequency
- Intervention design
- Governance structures

Much like the development timeline in Chapter 3, no two projects are exactly alike in how they are designed and specified. Almost all SIBs take on a range of children and young people and work with multiple outcome indicators and intervention approaches instead of restricting themselves to a narrow focus. Where project ambitions align across different projects, some commonality is found. SIB design standardisation is therefore relatively low, but not completely absent.

Cohort

Almost all projects chose to have a relatively broad focus, by providing services to both children on the edge of care (but not yet formally within) and in statutory care. Targeted age groups also varied, as reflected in the "eligibility criteria" in Figure 21 in the main report. The number of service users targeted over the life of the projects ranged from 30 to 1835, with a mean of 560 individuals. Due to the small number of projects, the mean is driven up by a couple of large projects. Five out of seven projects targeted fewer than 500 children. All cohorts were defined as numbers of individual children or young people. More details for each project's cohort are featured in the main report's Chapter 5.

Outcomes specification, outcome payments, and payment frequency

Most SIB projects adopted a mix of outcome indicators (i.e., outcome payment triggers-explained in the Glossary). These outcome triggers were clustered by GO Lab researchers into the following six categories (also see **Figure 10** below):

1. **Engagement:** Service users engage with the service/intervention

2. **Prevention:** Service users prevented from escalating status (along the spectrum of care)/ entering into care

3. **Step down:** Service users moved "down" from residential care to foster care

4. **Reunification:** Service users reunited with birth family/guardian(s)

5. **Sustainment:** Service user stabilised in placement (can be of any type)

6. **Improved wellbeing and life chances:** Improvement in wider outcomes, for example, education/school attendance, family functioning, reading age.

---

20 The group of children, young people and their families who are to be supported by the SIB-backed services.

Project Name	Engagement	Prevention	Step down	Reunification	Sustainment	Improved wellbeing	Total
Integrated Family Support Service (IFSS) Staffordshire	3	2					5
Fostering Better Outcomes (Cheshire West and Chester)			1		2		3
Stronger Families Suffolk		1		1			2
Pyramid Project (Staffordshire, Telford & Wrekin, Worcestershire, Wolverhampton, Dudley)			2		7		9
Strong Families, Resilient Communities (Lancashire)		*1*				*3*	*4*
Stronger Families Norfolk		1		1			2²¹
DN2 Children's Services SIB (Nottingham, Nottinghamshire, Derby)		1	1	1	1		4
Total	3	6	4	3	10	3	

Figure 10 Categorisation and count of distinct outcome payment triggers across the seven SIB projects. Based on GO Lab researchers' interpretation of outcome payment triggers data within the DCMS Data Portal. Strong Families, Resilient Communities is shaded grey as this project did not ultimately launch.

All except two projects included outcome payment triggers for preventing entry or escalation into care, and most also paid for one of the other categories (such as step down, reunification and sustainment). This range of outcome indicators connects with the broad range of service user needs. While there is no obvious standardisation in the scope of the indicators chosen, there were similarities in how payment triggers were defined within the same outcome category (for example, number of care days avoided). There was variation in the number of distinct outcome triggers that projects decided to pay for. Typically, most projects paid for 2 separate outcome measures (or outcome categories). Each outcome payment trigger is attached to a target number of service users. Following validation by an independent source, the outcome is then considered to have been 'achieved' and the project could claim outcome payments from the Life Chances Fund and local commissioners. Depending on the category of the outcome

---

21 While there is only one outcome payment trigger reported for this project on the DCMS Data Portal, it relates differently to different service users within the cohort. For service users not in care, it functions as a 'prevention' outcome. For service users in care, it serves as a 'reunification' outcome.

payment trigger, there was a wide range in the frequency of payments: weekly, monthly, quarterly, yearly and other defined regular intervals. The cadence of payments was intended to spread out payments in a way that would sustain cash flows for the service while also giving projects sufficient time to demonstrate impact.

When pricing these outcomes, suggested market rates were put forward by local commissioners and these were often based on estimates of minimum unit costs for the provider. Following soft market testing and engagement with providers, these were often revised upwards. Participants said their emphasis was on reaching an arrangement that worked for all parties involved and where everyone's interests could be balanced, instead of trying to push for the lowest price possible. While designing SIBs, participants commented on the need to have clear payment caps as a precaution against potential flaws in the contract or inaccuracies in the financial modelling.

Detailed definitions of the outcome triggers for each of the seven projects can be found in the technical annex (Table 2).

Intervention

Projects aimed for a combination of objectives by including multiple categories or distinct cohorts of young people and varied outcome payment triggers. This variation was then reflected in a flexible and varied package of interventions (See Figure 24 in main report). Some Council teams favoured flexibility through black box approaches (specifying only the outcomes to be pursued and giving bidding providers flexibility to design the scope of appropriate interventions, defined in the glossary), while others chose high fidelity evidence-based interventions. Most combined at least two different interventions or approaches within their projects. Once again, there is some variance across the projects in the exact intervention chosen, based on local needs, demand pressures, and characteristics of target cohorts. There is, however, a commonly expressed ambition to provide customised, person-centred and wraparound support which improves wellbeing whilst also providing the most suitable care options for young people.

The approaches taken to specify the service or intervention by participants have been further distilled to ease comparison (See Figure 25 in main report). This analysis is based on an interpretation of contract notices, interview data, and data within the DCMS Data Portal. Within the sample for this study, two different approaches were taken to specify the service or intervention, which are summarised below:

- **Black box approach:** Social impact bonds are theoretically expected to employ a black box approach, where the intervention is not specified and is left to the service provider's discretion. Within the seven SIB projects, five used a black box approach. This included Fostering Better Outcomes, IFSS, DN2, Pyramid Project and the SIB in Lancashire. They left the exact service specification up to the provider and investment fund manager as long as it met their larger objectives (e.g., stepping children down from residential care to foster care, or reducing/avoiding care).

- **Licensed intervention:** Two projects (Norfolk and Suffolk) decided to use a licensed intervention instead of a black box approach. Both Norfolk and Suffolk specified the

Functional Family Therapy (FFT)[22] intervention. FFT is a family-based therapy for young people between 11 – 18 years, which supports the reduction of disruptive communication patterns and focuses on positive interactions, effective supervision and boundary setting. They hoped that the high-quality licensed intervention would help them do something "measurably different" to existing provision. While DN2 had expressed interest in an "evidence-based service" within its procurement notice, researchers are not aware of a licensed intervention ultimately having been procured.

Governance structures

All seven projects were commissioner-led[23], that is, applications to the LCF top up fund were made by the local authority who also took a leading role in convening relevant stakeholders. However, there were differences across the seven projects in wider governance arrangements and the contractual relationships between the parties.

- Where multiple local commissioners were involved (as in the Pyramid Project and DN2), one commissioner took a lead role in driving the project and also in coordinating the Life Chances Fund application stages.

- Most of the SIB commissioners in the sample for this research ultimately ended up contracting with a single provider entity.[24] There was an example where this contracted provider functioned as a 'social prime' and went on to manage other service providers[25] (as reflected in the DCMS data portal and Section 1.2.1 in the main report).

- There were instances, in the sample, of projects working with a single investment fund manager. It is unclear if working with a single provider and a single fund manager was an explicit choice or if this was simply a product of how projects conducted their market engagement and procurement processes. For example, significant challenges in procuring and retaining social investment fund managers may have played into the final arrangement.

- However, there was an example of a project (DN2) that did not work with a single investment fund manager. In this case, contracts were held with two investment fund managers.

- The only central government outcome payer involved, in this sample, is DCMS (through the Life Chances Fund).

The total number of stakeholder organisations involved in these projects ranges from 4 to 10. This of course does not reflect the "cast of thousands" identified by research participants, as these totals reflect only the number of stakeholder *organisations* formally involved through contracts, as reported by projects themselves within the DCMS Data Portal. The interpretation of technical advisors as formal intermediaries varies from project to project. These totals also do

not consider the informal interactions held with other stakeholders (e.g., extensive engagement with external consultants who provided technical assistance), or the number of individuals involved from each stakeholder organisation which could be substantial.

Annex 4 represents the contractual structures in more detail for four of the seven projects, using governance diagrams submitted during the Life Chances Fund application procedure. Over the life of these projects, there is potential for additional local commissioners to come on board as outcome payers. This is strongly anticipated in the Pyramid Project.

COVID-19 ADAPTATION

Following the onset of COVID-19 in early 2020, governments worldwide responded by announcing a range of restrictions and closures. A national lockdown was imposed in the United Kingdom on 23 March 2020, causing mass disruption to all spheres of life. The operations of social services, including social impact bonds, were also significantly affected.

To ensure continued service delivery and to stabilise cash flows within LCF projects, in April 2020 DCMS gave projects three options for receiving payments from central government (administered by DCMS). Projects could choose to pause their services altogether, continue delivering services and be paid on an outcomes basis, or switch to grant payments based on projected medium case performance scenarios. Subsequently, of the five projects in live running, four chose to stay on outcomes contracts for LCF payments. Only one project shifted to grant payments based on its projected medium case scenario. The sixth project had been due to launch in April but was paused until October 2020, after which it began delivery on an outcomes contract. These decisions were to hold until 1st October 2020 for LCF payments, and projects were expected to return to outcomes contracts at this point if they had chosen a different option. The only project to have switched to medium scenario grant payments in this set was granted an extension and is now expected to switch back to outcome payments on 1st January 2021. Potentially because all of these projects were commissioner-led, decisions made for LCF outcome payments were fully mirrored for local outcome payments.

Participants described social investors as having mostly been quite hands-off at this time, unless they were asked directly for involvement. Local commissioners and providers have been in the driving seat for adaptations. There have been some indirect operational benefits due to adoption of virtual delivery formats. Reduced or no physical contact has reportedly saved staff travel time and increased their capacity to provide more support to children and young people. In one project where the intervention works closely with service users' families, the digital format was helpful in ensuring every family member was able to participate. Including the entire family in sessions had been a challenge prior to the lockdown. Access to technological devices was generally not reported to be a challenge but where required, one project was able to provide these to service users.

---

22 Functional Family Therapy, n.d.

23 Other projects in the LCF were sometimes led by providers or intermediaries instead.

24 Data is limited for the SIB in Lancashire, as it withdrew before procurement reached completion. This team had however expressed a preference for a direct contract.

25 In Pyramid Project, the SPV subcontracts the foster care placements from a number of IFAs (Independent Fostering Agencies)- currently five but likely to increase in the future. Provider organisations in other projects could also be connected to other providers e.g., multiple fostering agencies. GO Lab researchers do not have sight of these.

GLOSSARY

Black box commissioning When procuring a service or intervention, the commissioner can specify the intervention required or leave this up to the organisation providing the service. The latter approach is called a 'black box' approach because the commissioner doesn't specify what the intervention should be; they simply agree to pay for outcomes if they are delivered. Service proposals and specification are left to the discretion of the provider and investor (as long as they meet outcomes).

Business case The business case provides justification for undertaking a project or programme. It evaluates the benefit, cost and risk of alternative options and provides a rationale for the preferred solution.

Capital recycling A situation whereby investors provide upfront funding and in case of periodic outcome payments, they can recycle those payments as investment capital. Capital recycling allows the size of the investment capital needed upfront to be only a fraction of the total investment required to fund the intervention within an impact bond.

Care ('in care' in relation to children who are 'looked after') A child who is 'looked after' (CLA) is a child whom the local authority accommodates and/or for whom it cares. Local Authorities either place children in local authority administered placements and other placements provided by the public sphere, or in placements with private agencies or voluntary organisations.

Cashable savings A change in an outcome or output which will result in a reduction in spending, such that the expenditure released from that change can be reallocated elsewhere. This should result in a tangible financial benefit for the organisation.

Cherry picking This is a perverse incentive whereby providers, investors or intermediaries select or target service users who are more likely to achieve the expected outcomes and de-prioritise the most challenging cases

Children in Care (CIC) Children in care (similar to 'looked after children'). A child is looked after by a local authority if a court has granted a care order to place a child in care, or a council's children's services department has cared for the child for more than 24 hours. On reaching the age of 18, children cease to be considered looked-after by a council.

Children in Need (CIN) A child is considered to be "in need" if they are unlikely to achieve a reasonable standard of health and development without the provision of local authority services. This includes children who are disabled, have learning difficulties, come from families which require financial assistance and/or young carers. Being designated as 'in need' is a necessary but not sufficient standard for further involvement of the authorities. Within this category children and their families may well be able to cope without more intense help.

Cohort Description of the targeted population of beneficiaries or service users.

Commissioning The cyclical process by which entities assess the needs of people in an area, determine priorities, design and contract appropriate services, and monitor and evaluate their performance. This term is used widely in the UK public sector context, but less so elsewhere. It is sometimes used interchangeably with "contracting".

Costs avoided Cost avoidance measures are any actions that avoid having to incur costs in the future. They represent potential increases in costs that are averted through specific pre-emptive actions. These measures will never be reflected in the budget or the financial statements.

Child Protection Plan (CPP) If there were concerns about the safety of a child or their living circumstances, then a child will have been deemed to be 'at risk' and may have been subject to a child protection plan. This can occur either through a voluntary arrangement between the family and local authority ("being accommodated"), or by the child being taken into care through a care order. The distinction is that under the voluntary Section 20 arrangement, the family can remove the child from care whenever they desire, whereas this is not the case if they are subject to a section 31 care order.

Deadweight Outcomes which would have happened anyway, regardless of an intervention, policy or investment.

DCMS The Department for Digital, Culture, Media and Sport (DCMS) is a department of the United Kingdom government, with responsibility for culture and sport in England, the building of a digital economy, and some aspects of the media throughout the UK, such as broadcasting and Internet. In 2016, DCMS launched the Life Chances Fund, within which it acts as the central government outcome payer. It also hosts Civil Society and Youth and the Centre for Social Impact Bonds, who hold policy responsibility for this area within UK central government.

DCMS Data Portal A dedicated data portal (created and owned by Centre for SIBs at DCMS) set up for social impact bonds within the Life Chances Fund to capture detailed baseline and performance data for individual SIB projects. It aims to facilitate a more streamlined application process and grant management as well as evaluation activity.

DfE The Department for Education (DfE) is responsible for children's services and education, including early years, schools, higher and further education policy, apprenticeships and wider skills in England.

Edge of care (EoC) There are various definitions for this term but generally, these are children and young people who are being considered for care but who have not entered into local authority care. In other cases, they might have been assessed and supported through alternative provisions to statutory care, or else they might be already in the care of the local authority but the permanence of this might not have been established.

Foster care Foster care is when a child can no longer live with their own family, so is placed into the care of foster carers. The foster carer, or foster parent's job is to provide a safe, secure environment for the foster child on either a temporary or more permanent basis. Whereas adoption refers to a long-term permanent solution where full legal responsibility of the child is assumed, foster care is usually more of a temporary measure – and the local authority and child's birth parents still have legal responsibility for the child.

Grey box commissioning A grey box approach involves more direction or specification from commissioners than a black box approach. There is still ample flexibility for the provider to design the intervention or service.

Input The financial, human, and material resources used for a specific intervention or service.

Intermediary Impact bonds are often supported by experts that provide specific advice. These are typically all referred to as "intermediaries" but encompass at least four quite different roles: consultancy to develop business cases, social investment fund managers, performance management experts, and special purpose vehicles.

Investor An investor seeking social impact in addition to financial return. Social investors can be individuals, institutional investors, dedicated social investment funds and philanthropic foundations, who invest through their endowment. In UK SIBs, these are often 'investment fund managers' rather than the original asset-owning institutions or individuals who provide the capital.

Looked After Children (LAC) Looked After Children (similar to 'children in care') is the term used to describe a situation where the local authority is the corporate parent for the child. A child is looked after by a local authority if a court has granted a care order to place a child in care, or a council's children's services department has cared for the child for more than 24 hours. On reaching the age of 18, children cease to be considered looked-after by a council.

Life Chances Fund (LCF) The Life Chances Fund (LCF) is an £80m fund committed in 2016 by UK central government (DCMS) to help people in society who face the most significant barriers to leading happy and productive lives. It will provide top up contributions to outcomes-based contracts involving social investment, referred to as Social Impact Bonds (SIB). These contracts must be locally commissioned and aim to tackle complex social problems.

Ofsted The Office for Standards in Education, Children's Services and Skills (Ofsted) is a non-ministerial department of the UK government, reporting to Parliament. Ofsted is responsible for inspecting a range of educational institutions, including state schools and some independent schools. It also inspects childcare, adoption and fostering agencies and initial teacher training, and regulates a range of early years and children's social care services. Ofsted assesses the effectiveness of Local Authorities in delivering and providing their statutory services, conducting reviews of each local authority at least once every three years. This includes an evaluation of third-party providers such as external providers of foster care.

Outcomes (outcome metrics/outcome payment triggers) The outcome (or outcome metric) is a result of interest that is typically measured at the level of service users or programme beneficiaries. In evaluation literature, outcomes are understood as not directly under the control of a delivery organisation: they are affected both by the implementation of a service (the activities and outputs it delivers) and by behavioural responses from people participating in that programme. Achieving these outcomes 'triggers' outcome payments within an outcomes contract or social impact bond arrangement.

Outcomes fund Outcome funds pool capital from one or more funders to pay for a set of pre-defined outcomes. Outcome funds allow the commissioning of multiple impact bonds under one structure. Payments from the outcomes fund only occur if specific criteria agreed ex-ante by the funders are met.

Outcome payer The organisation that pays for the outcomes in an impact bond. Outcome payers are often referred to as commissioners.

Outcomes payment(s) Repayment by outcome payers (to investors), for achieving pre-agreed outcomes in an impact bond.

Output The tangible goods and services that are produced (supplied) directly by an intervention. The use of outputs by participants contributes to changes which lead to outcomes.

Procurement Acquisition of goods and services from third party suppliers under legally binding contractual terms. In impact bonds where the government is the outcome payer, procurement processes may play a role shaping the market, in defining the outcome specifications, the terms of the outcomes contract, pricing the outcomes, and selecting the parties.

Propensity score matching (PSM) In the statistical analysis of observational data, propensity score matching (PSM) is a statistical matching technique that attempts to estimate the effect of a treatment, policy, or other intervention by accounting for the covariates that predict receiving the treatment. PSM attempts to reduce the bias due to confounding variables that could be found in an estimate of the treatment effect obtained from simply comparing outcomes among units that received the treatment versus those that did not.

Randomised controlled trial (RCT) A randomised controlled trial (or RCT) is a type of scientific experiment (e.g. a clinical trial) or intervention study (as opposed to observational study) that aims to reduce certain sources of bias when testing the effectiveness of new treatments; this is accomplished by randomly allocating subjects to two or more groups, treating them differently, and then comparing them with respect to a measured response. One group—the experimental group—receives the intervention being assessed, while the other—usually called the control group—receives an alternative treatment, such as a placebo or no intervention. The groups are monitored under conditions of the trial design to determine the effectiveness of the experimental intervention, and efficacy is assessed in comparison to the control.

Residential care Residential care is a form of group care for children who are looked after, where care is provided by teams of paid staff. This may be arranged under a care order or a voluntary accommodation arrangement, including short breaks for disabled children. Examples include secure units and children's homes. Residential care is an alternative to foster care or kinship care, which are more common placements for children who cannot live with their birth family.

Reunification Reuniting children and young people with their birth families or guardians.

Service provider Service providers are the entity(ies) responsible for delivering the intervention to service users. Providers work in collaboration with the outcome payer(s) and the investor(s) to make the impact bond work. A provider can be a private sector organisation, social enterprise, charity, NGO or any other legal form.

Service users Description of the targeted population of beneficiaries or service users.

Social Impact Bond (SIB) A type of outcome-based contract that incorporates the use of private funding from social investors to cover the upfront capital required for a provider to set up and deliver a service. The service is set out to achieve measurable outcomes established by the commissioning authority and the investor is repaid only if these outcomes are achieved. Increasingly, SIBs are also referred to as Social Outcome Contracts (SOCs).

Special purpose vehicle (SPV) A legal entity (usually a limited company) that is created solely for a financial transaction or to fulfil a specific contractual objective. Special purpose vehicles are sometimes used in the structuring of impact bonds.

Step down Moving children and young people 'down' from residential care placements to foster care.

Top up fund(ing) In some situations, an outcomes fund will provide a partial contribution to the payment of outcomes where the remainder of outcomes payments are made by another government department, local government or public sector commissioner. In the LCF the partial contribution from DCMS 'tops up' the payment for outcomes and is intended to support the wider adoption of social impact bonds (SIBs) commissioned at the local level.

Theory of change A theory of change explains how the activities undertaken by an intervention (such as a project, programme or policy) contribute to a chain of results that lead to the intended or observed impacts. The theory of change explains the channels through which programmes can influence final outcomes. It describes the causal logic of how and why an intervention will reach its intended outcomes.

TNLCF The National Lottery Community Fund, legally named the Big Lottery Fund, is a non-departmental public body responsible for distributing funds raised by the National Lottery. The Community Fund aims to support projects which help communities and people it considers most in need. TNLCF manages the Life Chances Fund on behalf of DCMS.

Value for money The National Audit Office (NAO) uses three criteria to assess the value for money of government spending i.e., the optimal use of resources to achieve the intended outcomes:

Economy: minimising the cost of resources used or required (inputs) – spending less;

Efficiency: the relationship between the output from goods or services and the resources to produce them – spending well; and

Effectiveness: the relationship between the intended and actual results of public spending **(outcomes) – spending wisely.**

Wraparound Wraparound is a process of working with children and young people, especially those with serious mental health challenges, emotional or behavioural problems. Community based services and individualised support are combined to "wrap around" a child or youth and their family in their home, school, and community in an effort to help meet their needs.

REFERENCES

Cattan S, Conti G, Farquharson C and Ginja R. (2019). The Health Effects of Sure Start. Institute for Fiscal Studies.

Department for Digital, Culture, Media and Sport; Government Outcomes Lab, 2019. *Evaluation strategy for the Life Chances Fund,* s.l.: s.n.

Department for Digital, Culture, Media and Sport, 2016. *Apply to the Life Chances Fund.* [Online]
Available at: https://www.gov.uk/government/publications/life-chances-fund

Department for Education, 2016. *Children's services: spending and delivery.* [Online]
Available at: https://www.gov.uk/government/publications/childrens-services-spending-and-delivery

Department for Education, 2019. *Characteristics of children in need: 2018 to 2019 England.* [Online]
Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/843046/Characteristics_of_children_in_need_2018_to_2019_main_text.pdf
[Accessed 28 April 2020].

Functional Family Therapy, n.d. *FFT in the UK.* [Online]
Available at: https://www.functionalfamilytherapy.org.uk
[Accessed 10 December 2020].

Government Outcomes Lab, 2019. *Evaluation strategy for the Life Chances Fund.* [Online]
Available at: https://golab.bsg.ox.ac.uk/knowledge-bank/resources/evaluation-strategy-life-chances-fund/

Government Outcomes Lab, 2019. *Impact bond lifecycle.* [Online]
Available at: https://golab.bsg.ox.ac.uk/toolkit/impact-bond-lifecycle/

Government Outcomes Lab, 2020. *October 2020 Impact Bond Landscape.* [Online]
Available at: https://golab.bsg.ox.ac.uk/community/news/october-2020-impact-bond-landscape/

House of Commons Library, 2019. *Children's social care services in England.* [Online]
Available at: https://commonslibrary.parliament.uk/research-briefings/cbp-8543/
[Accessed 28 April 2020].

Institute for Government and CIPFA, 2019. *Performance Tracker 2019.* [Online]
Available at: https://www.instituteforgovernment.org.uk/publication/performance-tracker-2019/children-social-care

Local Government Association, 2018. *LGA Autumn Budget Submission to HM Treasury.* [Online]
Available at: https://www.local.gov.uk/moving-conversation-lga-budget-submission-2018
[Accessed 29 April 2020].

National Audit Office, 2018. *Financial sustainability of local authorities 2018.* [Online]
Available at: https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/
[Accessed 29 April 2020].

National Audit Office, 2019. *Pressures on children's social care.* [Online]
Available at: https://www.nao.org.uk/report/pressures-on-childrens-social-care/
[Accessed 28 April 2020].

The Association of Directors of Children's Services, 2018. *ADCS Safeguarding Pressures Research Phase 6.* [Online].

Government Outcomes Lab

Blavatnik School of Government

University of Oxford