



# 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

KEY FINDINGS | May 2021

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This document summarises the key findings of a report into seven children's social care projects commissioned through social impact bonds (SIBs), with top-up outcomes funding provided by the Department for Digital, Culture, Media & Sport's Life Chances Fund (LCF). The research investigates the justifications and alternative SIB design approaches adopted by local authority commissioners to support children and families 'at the edge' of (or already within) the statutory care system. It used qualitative methods, including analysis of key documents, workshops with representatives from local authority project development teams and semi-structured interviews. Project data, describing the characteristics and key stakeholders involved within each SIB, was also reviewed.

## 1. JUSTIFICATIONS FOR USING SOCIAL IMPACT BONDS IN CHILDREN'S SOCIAL CARE

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Research participants were asked to identify their reasons for adopting a SIB approach in children's social care. **Primary justifications** for using a SIB can be divided into two categories:

- The **opportunity to improve outcomes for service users**, by driving up service quality through a focus on outcomes and addressing gaps in provision by expanding service offers, responding to increased demand and reducing high-cost residential placements.
- The **opportunity to counter financial constraints** with external upfront sources of funding. A SIB was framed as an opportunity to invest in prevention to provide longer term savings at low perceived financial risk, with the LCF top-up seen as de-risking and incentivising experimentation with new commissioning models.

A range of **secondary justifications** were also offered, including increased collaboration, a focus on preventative approaches, impetus for innovation, enhanced transparency and accountability, building technical capabilities and responding to Ofsted requirements.

Despite the breadth of justifications for using SIBs, there was limited articulation of alternative contracting approaches that research participants might have used to develop their projects. **The extent to which SIBs were directly compared to alternative commissioning options appears limited.**

## 2. FACILITATORS AND CHALLENGES WITHIN DEVELOPMENT PROCESSES

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While no two SIB project development processes looked the same, council teams across the research sites mentioned several common challenges and enabling factors during development. These have been synthesised into five overarching facilitators and challenges:

Facilitators	Challenges
Top-up funding and development grants from LCF	Time and resource intensiveness
Operational preparedness and support	Technical complexity and dependence on external support
Creative and engaged procurement approach	Relational and operational challenges
Ambition to deliver additional, high-quality services	Ideological challenges
Availability of technical expertise	Ongoing potential risks

Over the course of project development, local authority teams highlighted a range of **challenges related to financial modelling and procurement**. They suggested **early market engagement** and **expectation-setting around the time and resource intensiveness** at the start of the project would have been beneficial.

In addition, there was an **overwhelming call among research participants for SIBs and application processes for outcomes funds to be simplified**. This could be achieved in a number of ways, including through templates, improved guidance on technical aspects like financial modelling, and streamlining application procedures. Several commissioners also highlighted a **desire to build in-house knowledge and skills**, and to have **access to more granular data on similar SIBs to inform future design**.

## 3. DESIGN CONSIDERATIONS AND STANDARDISATION

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The study explored how projects navigated various considerations for design components, and analysed how they compare across four main design headings:

- a) **Cohort definition** - almost all projects provided services to children both on the edge of care and in care. Targeted age groups varied, as did cohort size (30 - 1835 service users).
- b) **Outcome specification, payments, and payment frequency** - projects adopted a mix of outcomes indicators (ranging from 2 - 9 distinct measures) which triggered payments at pre-agreed frequencies. These included outcomes focusing on initial engagement with service users, preventing or reducing the need for care, 'step down' from residential to foster care, reunification with parents/guardians, and sustainment of placements.

- c) **Intervention design** - the diverse cohorts and outcomes targeted by projects are reflected in flexible and wide-ranging packages of interventions. There were instances where intervention specification was delegated to service providers. Interventions varied, but broadly provided customised and wraparound support, intended to support wellbeing and the most suitable care options.
- d) **Governance structures** - all seven projects were commissioner led, and where multiple commissioners were involved, one took a lead role in driving the project. The number of stakeholder organisations involved ranged from 4 to 10, and most projects chose direct contracts between outcome payers and the service provider.

**Overall, there is a low degree of standardisation across projects.** Almost all work with a range of children and young people and target multiple outcome indicators through a combination of intervention approaches. Specification of cohort, outcomes, interventions and governance structures is driven by local demand pressures and priorities.

#### 4. COVID-19 ADAPTATION

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Following the onset of COVID-19 in early 2020 and the introduction of restrictions on social contact, the operations of social services - including SIBs - were significantly disrupted. DCMS gave LCF projects three options (pause, continue, or switch to temporary grant payments) to facilitate adaptation. All six<sup>1</sup> successful projects were able to continue service delivery, employing virtual or a blend of in-person and online support. Generally, research participants felt that during this period **social investors had been quite hands-off** (unless asked directly to be involved), with **local commissioners and providers taking the lead**. Despite challenges in continuing service delivery, there were some **indirect benefits to virtual delivery formats**, with reduced staff travel time increasing capacity to support young people, and better access to families through the introduction of virtual contact.

This summary, and the report which underpins it, was prepared by the Government Outcomes Lab as part of the supplementary evaluation of the Life Chances Fund. For more information, you can find the main report and technical annexes at [www.gov.uk/government/publications/life-chances-fund-social-impact-bonds-in-childrens-social-care](http://www.gov.uk/government/publications/life-chances-fund-social-impact-bonds-in-childrens-social-care)

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<sup>1</sup> One of the seven projects, led by Lancashire County Council, withdrew from the Life Chances Fund in Autumn 2019 and did not ultimately commission a social impact bond. It is therefore not included in the analysis around COVID-19 adaptation.

Project name	Local outcome payers	Service users target number	Service user characteristics	Investment fund manager(s)	Service provider
<b>Integrated Family Support Service</b>	Staffordshire County Council (lead commissioner)	1835	Individuals on the edge of care and in care	Big Issue Invest	Addiction Dependency Solutions, Humankind
<b>Fostering Better Outcomes</b>	Cheshire West and Chester Council (lead commissioner)	30	Individuals on the edge of care and in care	Bridges Fund Management	Core Assets
<b>Stronger Families Suffolk</b>	Suffolk County Council (lead commissioner)	288	Individuals on the edge of care and in care	Bridges Fund Management	Family Psychology Mutual
<b>Stronger Families Norfolk</b>	Norfolk County Council (lead commissioner)	400	Individuals on the edge of care and in care	Bridges Fund Management	Family Psychology Mutual
<b>Strong Families, Resilient Communities</b>	Lancashire County Council (lead commissioner)	854	Individuals on the edge of care and in care	-	-
<b>Pyramid Project</b>	Staffordshire County Council (lead commissioner), Telford & Wrekin Council, Worcestershire County Council, Wolverhampton City Council, Dudley Metropolitan Borough Council	92	Individuals in care	Big Issue Invest	National Fostering Agency
<b>DN2 Children's Services Social Impact Bond</b>	Nottinghamshire County Council (lead commissioner), Nottingham City Council, Derby City Council	423	Individuals on the edge of care and in care	Nottingham Futures, Core Assets	Core Assets