

<b>DECISION-MAKER:</b>	CABINET					
<b>SUBJECT:</b>	ESTABLISHMENT OF AN IN HOUSE CHILDREN'S EDGE OF CARE SERVICE					
<b>DATE OF DECISION:</b>	15 AUGUST 2017					
<b>REPORT OF:</b>	CABINET MEMBER FOR CHILDREN'S SOCIAL CARE					
<b><u>CONTACT DETAILS</u></b>						
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<b>STATEMENT OF CONFIDENTIALITY</b>						
Not Applicable						
<b>BRIEF SUMMARY</b>						
<p>Approval is sought to establish an in house Children's Edge of Care Service in house identified as a key transformation driver in reducing the numbers of children coming into care in the city and reducing the significant cost pressure to the Council. This proposal supersedes a previous resolution by Cabinet in October 2016 to commission an Edge of Care service from an external provider using a Social Impact Bond (SIB) model which was developed as part of the Big Lottery's Commissioning for Better Outcomes Programme. A procurement for this service failed to yield a bid capable of delivering the service to the quality required. Detailed work was undertaken, including and consideration of alternate options. An internal service is now considered to be the optimum and most cost effective way of achieving the outcomes required.</p> <p>Financial benefits identified</p>						
		2017/18	2018/19	2019/20	2020/21	2021/22
		£'000	£'000	£'000	£'000	£'000
	Cost avoidance	465	1,615	2,529	2,580	2,354
	Cost of in-house provision	173	397	450	454	458
	Cost of externally provided provision	160	582	867	891	891
<b>RECOMMENDATIONS:</b>						
	(i)	To approve the establishment of an in house Edge of Care Service.				
	(ii)	To note that the cost of this service will be met from existing revenue budgets and expenditure of £173,265 in 17/18 rising to £460k in 2021/22 to deliver the service in house.				
<b>REASONS FOR REPORT RECOMMENDATIONS</b>						
1.	An Edge of Care Service has been identified as a key transformation driver in					

	reducing the numbers of children coming into care in the city and reducing the significant cost pressure to the Council.
2.	In October 2016, a proposal was approved by Cabinet to procure an Edge of Care Service from the market using a Social Impact Bond (SIB) model with outcome payments subsidised by a Big Lottery Grant. This procurement failed to deliver a bid capable of achieving the outcomes required.
3.	Further to a review of the options and consideration of other developments within children's services since the previous proposal, the establishment of an in house Edge of Care Service has been found to be the best option, on the basis that it builds on internal provision within the Children's Resource Service, thereby offering a more cost effective, flexible and integrated solution.
4.	Since the original proposal, significant work has been undertaken to transform Children and Families Services. This has included the development of a strengths based approach to working with children and families, strong management oversight, transformation of the front door, embedding of restorative practice principles and a much stronger focus on permanency planning, as evidenced by higher numbers of adoptions and use of special guardianship orders (SGOs) over the last 8 months. This has already achieved noticeable reductions in numbers looked after and demonstrates that the Council now has the specialism and expertise to develop this service in house.
5.	Furthermore, the financial modelling for the in house option projects a lower cost and lesser financial pressures which will result in a much greater cost avoidance in subsequent years than would be achieved through using an external provider.
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>	
6.	To commission the service from an external provider in line with the original proposal. This option has now been rejected on the basis that it offers a lower financial return and is considered less capable of achieving the outcomes required. This is covered in more detail in Sections 11 and 12.
<b>DETAIL (Including consultation carried out)</b>	
7.	The Council had seen a significant increase in the numbers of children coming into care, rising to a high of 637 in the summer of 2015. As at March 2017, the number of Looked After children (LAC) was 542 which equates to a rate of 110, against a national average rate of 60 and a local authority comparator average of 76. The number of Looked After Children as of the 21 July 2017 was 517. Whilst this is a significant reduction from our previous high this is still significantly higher than would be anticipated for a city of Southampton's size and demographics, and financial challenges for the council resulting in poorer outcomes for children.
8.	The aim of the Edge of Care Service is to prevent children coming into care by providing a service to support and develop the skills of families to function effectively.
9.	The Service will support a minimum of 72 families every year with a view to the children remaining or returning home appropriately. The client group is defined as:

	<ul style="list-style-type: none"> <li>families with children from birth to 18 years (with a focus on those with children aged 8+) subject to child protection planning where the next action would be to take the child (or children) into care; and</li> <li>families where children from birth to 18 years (with a focus on those with children aged 8+) have been looked after for a maximum of 6 weeks and whose care plan demonstrates that they could return home with support.</li> </ul>				
10.	<p>Following the unsuccessful procurement of an external provider to deliver the service, two options have been considered:</p> <ol style="list-style-type: none"> <li>a return to the market to procure an external provider to deliver the service, learning from the feedback received from providers, ATQ and other Authorities post tender.</li> <li>develop the service in house.</li> </ol>				
	<b>Option One: Return to the Market</b>				
11.	<p>This option was explored in detail, with feedback sought from the market and intelligence from other authorities to secure a more positive outcome from a second tender. The main changes proposed to be included in a second tender were the introduction of a guaranteed level of business to reduce risk for the provider and an option to mark up the terms and conditions of the contract further to feedback that the Council's normal terms and conditions are too risk adverse for an outcomes based model of delivery.</p>				
12.	<p>The pros and cons of <b>Option One: Return to the Market</b> were considered to be:</p> <table border="1"> <thead> <tr> <th>Pros</th> <th>Cons</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> <li>Enables the Council to take advantage of the Big Lottery grant</li> <li>External provider takes the majority of the risk, should care cost avoidance savings not be achieved (i.e. no saving = only minimal payment to the provider)</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>More expensive – provider has opportunity to earn payments of up to £986,550 in some years, should they keep 50% of 72 children out of care</li> <li>More complex set of relationships – i.e. how the external provider, commissioners and internal services interface; more complex pathways of care. Danger of duplication and confusion regards what / who has made the difference in keeping a child out of care</li> <li>Will take longer to mobilise – will need to tender and then build in time for new provider to set up SIB and mobilise new service</li> <li>Potentially less flexibility to flex service as provider will be working to an agreed specification (albeit this could be varied by agreement)</li> <li>Potentially the provider may be less</li> </ul> </td> </tr> </tbody> </table>	Pros	Cons	<ul style="list-style-type: none"> <li>Enables the Council to take advantage of the Big Lottery grant</li> <li>External provider takes the majority of the risk, should care cost avoidance savings not be achieved (i.e. no saving = only minimal payment to the provider)</li> </ul>	<ul style="list-style-type: none"> <li>More expensive – provider has opportunity to earn payments of up to £986,550 in some years, should they keep 50% of 72 children out of care</li> <li>More complex set of relationships – i.e. how the external provider, commissioners and internal services interface; more complex pathways of care. Danger of duplication and confusion regards what / who has made the difference in keeping a child out of care</li> <li>Will take longer to mobilise – will need to tender and then build in time for new provider to set up SIB and mobilise new service</li> <li>Potentially less flexibility to flex service as provider will be working to an agreed specification (albeit this could be varied by agreement)</li> <li>Potentially the provider may be less</li> </ul>
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		willing to work with higher risk families where the success rate (and therefore opportunity for achieving outcome payment) is lower
	<b>Option Two: Develop the Service In House</b>	
13.	The in house option involves developing the service as part of the Children's Resource Service (part of the Council's Children and Families Services), alongside the Building Resilience Service (BRS), Specialist Assessment Team and the Family, Drug & Alcohol Court (FDAC), with close links to the wider range of services available to families including the Youth Offending Service (YOS), Education Welfare Service and integrated Early Help offer.	
14.	The main advantage of Option Two is that it would build on existing services and in house expertise, thereby offering a more integrated solution for children and families. Since the original proposal, significant work has been undertaken to transform Children and Families Services. This has included the development of a strengths based approach to working with children and families, transformation of the front door, embedding of restorative practice principles and a much stronger focus on permanency planning, as evidenced by higher numbers of adoptions and use of special guardianship orders (SGOs) over the last 8 months. This has already achieved noticeable reductions in numbers of Children Looked After.	
15.	Furthermore, the financial modelling for the in house option demonstrates a much greater cost avoidance in subsequent years than would be achieved through using an external provider, because of the lower cost of provision. The in house provision will cost £173,265 in 2017/18 (6 months only) rising to £397,234 in 2018/19 and £457,867 by 2021/22 (owing to inflationary increases). The proposed outcome payments for the external provider (based on similar Social Impact Bond models for Edge of Care Services in other parts of the country) were £157,745 for 2017/18, rising to £627,827 in 2018/19 and £986,550 by 2021/22. With the Big Lottery contribution, this would reduce to costs of £130,928, £523,910 and £832,350 respectively but is still much greater than the cost of the in house model after 2017/18. (The costs of the external provider option in 2017/18 would be lower because the payments are based on outcomes and therefore not incurred up front, unlike the in house option).	
16.	One of the original reasons for recommending the external provider option was that it minimised risk of paying for non-achievement, i.e. if the provider did not achieve the outcome of keeping children out of care, then no payment would be made. However the over-riding consideration should be the effectiveness of an Edge of Care Service to keep children out of care as the potential cost avoidance are considerable and therefore, when considering the two options, far greater weight has been now given to the likelihood of success.	
17.	The main pros and cons of <b>Option Two: Develop the Service in house</b> are summarised below:	

	<p>Pros</p> <ul style="list-style-type: none"> <li>• More cost effective as the in house model builds on existing in house provision</li> <li>• More aligned to Southampton Children and Families Service model of Strengthening Families</li> <li>• Greater ability to control and integrate with internal provision</li> <li>• More closely aligned to existing services; more streamlined pathways</li> <li>• Shorter mobilisation period as does not require a tendering exercise</li> <li>• Greater flexibility to flex service to meet wider needs/priorities</li> </ul>	<p>Cons</p> <ul style="list-style-type: none"> <li>• The Council would have to forfeit the Big Lottery grant</li> <li>• The Council would be taking 100% of risk in investing in an internal provision should the cost avoidance savings not be achieved</li> </ul>
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18. Full details of both options can be found in the Edge of Care Business Case at Appendix 1. If approved, recruitment to the new in house service would commence with immediate effect to achieve a start of 1 October 2017.

## RESOURCE IMPLICATIONS

### Capital/Revenue

19. This Edge of Care Service will be financed from existing revenue budgets and the staffing requirements are currently subject to consultation in the Children & Families Phase 3 restructure. The revenue costs and savings from a reduction in the cost of keeping children out of care are detailed below.

20. The following financial model presents the costs and net cost avoidance for the in house Edge of Care Service, based on a 50% success rate.

**It should be noted that this scheme is about cost avoidance - preventing children entering care - as opposed to a reduction in existing spend.**

50% Success Rate	2017/18	2018/19	2019/20	2020/21	2021/22
Cost Avoidance	464,649	1,614,984	2,529,264	2,579,900	2,354,401
In house staffing costs	(146,265)	(343,234)	(395,909)	(399,868)	(403,867)
Intervention Budget	(27,000)	(54,000)	(54,000)	(54,000)	(54,000)
<b>Net Cost Avoidance</b>	<b>291,385</b>	<b>1,217,750</b>	<b>2,079,355</b>	<b>2,126,031</b>	<b>1,896,534</b>

### Property/Other

21. Not applicable

<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
22.	The proposals are delivered in accordance with the Council duties and powers under the Children's Act 1989 and s.1 Localism Act 2011 (General Power of Competence).
<b><u>Other Legal Implications:</u></b>	
23.	There are no other legal implications arising from this report.
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
24.	The proposal is in accordance with the Council's current Policy Framework and Council Priority Outcome 'Children and young people get the best start in life'.
<b>KEY DECISION?</b>	Yes
<b>WARDS/COMMUNITIES AFFECTED:</b>	none
<b><u>SUPPORTING DOCUMENTATION</u></b>	
<b>Appendices</b>	
1.	Edge of Care Business Case
2.	Draft Service Specification
<b>Documents In Members' Rooms</b>	
1.	EISA
2.	PIA
<b>Equality Impact Assessment</b>	
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	Yes
<b>Privacy Impact Assessment</b>	
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.	Yes
<b>Other Background Documents</b>	
<b>Equality Impact Assessment and Other Background documents available for inspection at:</b>	
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	None