

# Children and Young People Overview and Scrutiny Committee

BRIEFING NOTE – No. 04/15

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Briefing paper to: All Members of the Children and Young People Overview and Scrutiny Committee

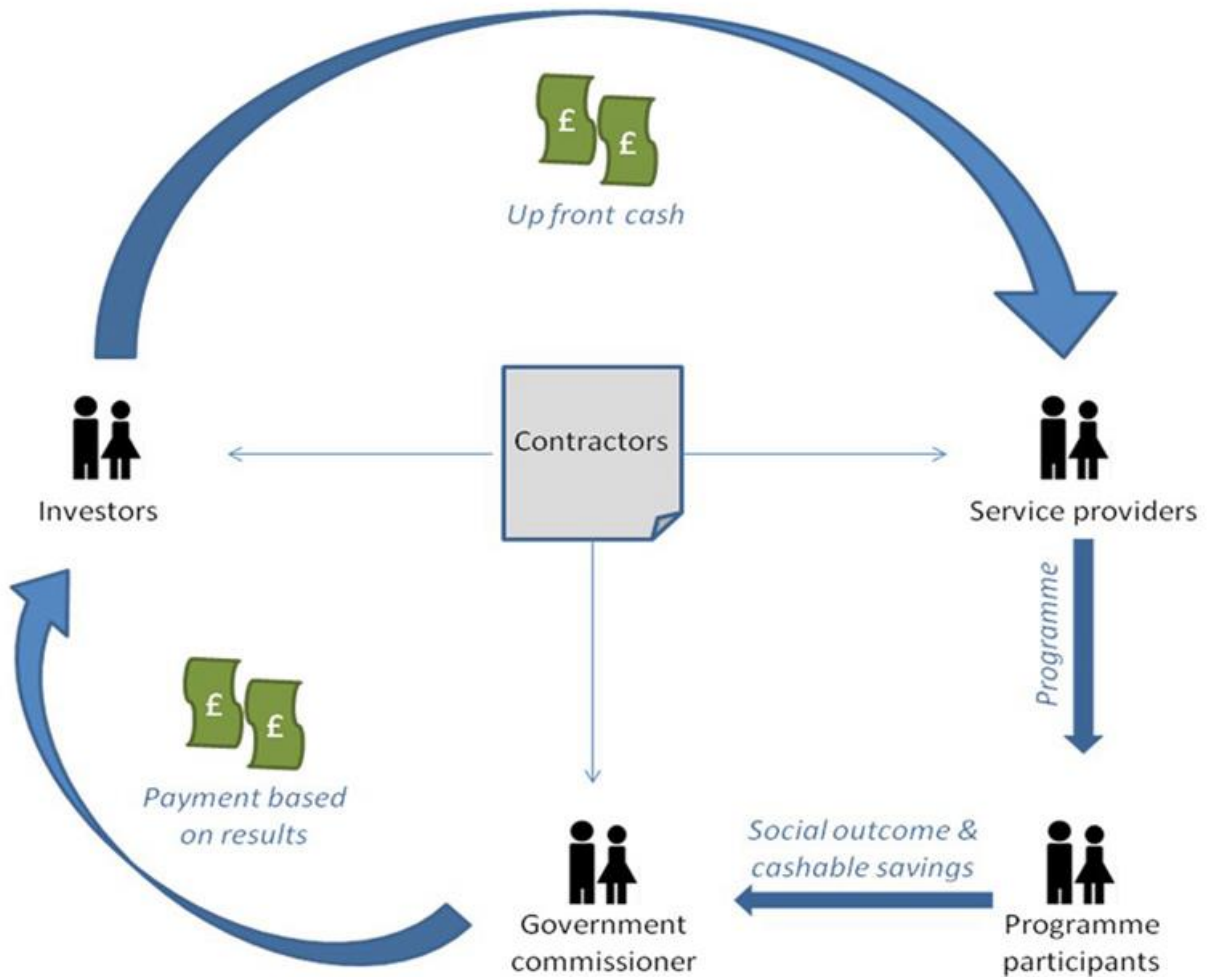
Purpose: To provide Members with information on what a Social Impact Bond (SIB) is and how it works.

## **SOCIAL IMPACT BONDS**

Social impact bonds (SIBs) are designed to help reform public service delivery. SIBs improve the social outcomes of public services by bringing in external funding which is conditional on achieving agreed results. The simple model is one where investors pay for the project at the start, and then receive payments based on the results achieved by the project. The mechanism for triggering payments by the Council to the investors is on a payment by results basis and represents a sharing of the savings generated by the success of the intervention work. Typically the share is 50:50 but this can be negotiated, usually dependent on the level of risk the investor is carrying.

There are a range of successful models of SIB's, generally all are based on using 'evidence based programmes' where there has been independent research and evidence of the expected rate of success if the fidelity of the intervention is maintained. The investors may be willing, in negotiation with the Council, for the Council to run the evidence based programmes or the investor may run the programmes themselves, commissioning contractors to work with the clients. In the example of a SIB working with children on the edge of care, savings are achieved by either preventing the clients from entering the care system or by existing clients leaving the system, the investor receives an agreed payment based on the terms of the contract. Since the investment for the project comes from an external source, the risk to the Council is minimal and the savings can be programmed into the budget strategy across the medium term. Central government is keen to support the development of these innovative models and this means there is currently an element of government funding to help embed the service and assist with costs in the early stages.

The Council in a SIB represents the decision making body in terms of the clients exposure to any model of intervention and is therefore in control of the process. The attached diagram (over the page) best describes the circle of events which comprise the SIB model.



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