



Appendix 4 - Functional Family Therapy Special Purpose Vehicle Proposal

Report Title: Torbay Council funding to support Torbay Children Services to deliver Functional Family Therapy

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1. Purpose and Introduction

- 1.1 Torbay Council has the opportunity to advance an ambitious and innovative partnership structure that will deliver a therapeutic intervention for Childrens Services (TCS) across Torbay, which will reduce the risk of children entering the care system.
- 1.2 A dedicated report for Torbay is due to deliver a business case in October 2014 focussing on the delivery of an intervention that has an evidence base indicating a potential range of improved outcomes for families and children on the edge of care living in Torbay and the immediate area.
- 1.3 The report will outline the potential for future cashable savings to TCS and the scope for them to meet outcomes payments to be made to the delivery vehicle.
- 1.4 Torbay Council will have the opportunity to have a minority financial stake in a new delivery vehicle. The existence of this stake during the next stage of development could lever the necessary scale of service and external funding.
- 1.5 In the event that a viable model is then developed a separate approval would be sought from the Council. Although an immediate commitment to the funding is required now it would not be spent until after the service commences, at the earliest April 2015. As an investment the Councils financial commitment would be structured to be repaid over a fixed period.
- 1.6 This proposal seeks to deliver a therapeutic intervention to address entrenched systemic issues within the family, in a way that does not currently exist in Torbay and thereby reduce future costs of children entering the care system.

2. Proposed Decision

- 2.1 The Implementation of Functional Family Therapy (FFT) using a special purpose vehicle (SPV) and the associated set-up costs of approximately £200k funded from corporate reserves.
- 2.2 It is proposed that the sum be allocated to the Torbay Director of Children Services in consultation with the Mayor and the Executive Lead for Children Schools and Families and be authorised to progress negotiations to development the funding model.
- 2.3 The model to be based on the factors outlined in section 4 requiring an additional Council approval to progress to contract.

3. Reason for Decision

- 3.1 The decision needs to be made at this time as TCS has a unique opportunity to benefit from a dedicated piece of research being undertaken by social investment experts Social Finance which is due to report in October 2014.
- 3.2 The opportunity exists for the Council to act on the knowledge, experience and funding it has gained from the Peninsula LIST project.
- 3.3 Early indications show that the viability for this ambitious model is marginal in terms of the level of referrals TCS could make to the service as a single agency and the level of external investment that could be generated. To maximise the potential to lever the necessary scale and funding Torbay Council requires a potential investment stake to promote early funding.
- 3.4 The proposed model is ambitious and potentially innovative. The investment will provide an opportunity to deliver the service to approximately 400 children and their families over the proposed 5 years duration of the service.
- 3.5 The key positive impacts to the residents of Torbay are;
 - TCS will have the opportunity to provide a significant programme it could not otherwise afford.
 - Evidence indicates that the targeted cohort will experience significant improved outcomes with a primary indicator being a reduction in time spent in care. State care is linked to poor outcomes for children and poor outcomes experienced in later life.
 - The intervention has the potential to provide a further range of secondary outcomes to participants such as family cohesion and educational attainment.
 - The programme will be designed to incorporate robust performance management which will enable TCS to track positive outcomes, track cashable savings and pay for successful outcomes.

- The programme has the ambition to provide a 'step down' to local voluntary sector services and the development of a 'Data Capture Platform'.
- The programme is innovative, potentially replicable and groundbreaking. It could be recognised and supported by the Big Lottery Fund's and Cabinet Office's 'Commissioning for Better Outcomes Fund'.

3.6 More traditional models and those options outlined in section 5 will not benefit from the impact outlined in 3.5.

Supporting Information

4. Position

- 4.1 The intervention is an evidence based programme known as Functional Family Therapy (FFT). TCS proposes to integrate FFT into their core service offer, to improve outcomes for children and families living in Torbay and potentially the Torbay & South Devon Care Trust area.
- 4.2 Torbay has a range of services notably to those families in or on the edge of crisis. However the lack of an earlier therapeutic service to target the adolescent dysfunctional family population has been identified by Social Finance as a significant gap. It is this cohort that potentially generates unpredictable high cost care placements.
- 4.3 Based on the data and modelling which has been undertaken it is not a viable option for Torbay Council to build a new internal FFT service due to high cost and risk. Therefore the delivery and funding model seeks to offer the service through an external organisation accredited to deliver FFT. Licensing for FFT is provided via two organisations in the UK & Ireland, however a new licence would be required for Torbay and this stake will facilitate the required investment.
- 4.4 If the service can be generated at the appropriate scale it is likely to be delivered within the boundary of the Torbay & South Devon Care Trust. Although partially outside of the Council's administrative boundary there would be the potential for Torbay to benefit from secondary outcomes such as a reduction in cross border youth offending and the risk of homelessness. Also this wider source of referrals will potentially be on a 'fee for service' basis enhancing the viability of the scheme and mitigating investment risk.
- 4.5 The FFT service would be targeted at families with children at risk of entering care aged between 11 and 15. In 2013 / 14 there were 126 looked after children aged 11 – 15, of whom 47 were new entrants to care. This age group cost Torbay approx £5.2 m last year in care costs alone. As a comparison in 2011 / 12 there were 96 looked after children of whom 26 were new entrants to care.

- 4.6 The proposition to use FFT as an intervention and place it within the existing services offered by Torbay Council has already been approved by TCS. In 2013 Social Finance completed a study across the peninsula authorities for the Peninsula LIST project, including Torbay. This looked at the characteristics of a potential cohort and considered it against a dedicated review of evidence based interventions by the National Childrens Bureau, again commissioned for the project.
- 4.7 The work being currently undertaken by Social Finance is focused on Torbay and will develop the proposed cohort to enter the service and their current baseline risk and potential costs of care. This will then indicate the level of potential cost savings for TCS against which a tariff mechanism can be structured and payments made for future successful outcomes resulting from FFT.
- 4.8 A Social Finance fact sheet outlining FFT is a supporting document. The international evidence for FFT is strong notably from studies in the US. Social Finance is undertaking a study of UK FFT live and proposed schemes including Brighton & Hove and Southwark where early results are encouraging.
- 4.9 It is anticipated that a new Special Purpose Vehicle (SPV) would be created providing the necessary external framework for a funding and delivery model. Advice relating to the development of this structure is being provided by Bevan Brittan through the Peninsula LIST project.
- 4.10 The SPV would be owned by the investors and potentially Torbay Council with this investment stake. The SPV would be responsible for;
- The governance structure.
 - Commissioning the provider to run the accredited FFT service
 - Monitoring performance, income and outcomes payments.
- 4.11 It is anticipated that the SPV will enable the service to operate for a period of approximately 5 years.
- 4.12 Torbay Council has been engaged in the Peninsula LIST project (LIST) since 2011 which is managed by the Torbay Development Agency and funded by the Big Lottery Fund. Part of the project was aimed at developing the business case to implement a model across the 4 peninsula authorities (Torbay, Devon, Plymouth and Cornwall) to deliver an intervention targeted at improving outcomes for children at the margins of care. It was proposed to be funded by the emerging social investment market via a Social Impact Bond model similar to that being operated at Essex Council which incorporates robust performance management and outcomes monitoring. In Essex the intervention Multi Systemic Therapy (MST) is being delivered to a similar cohort. It has not been possible to implement the peninsula model although Cornwall is funding an 'in house' FFT service.

- 4.13 Since May 2014 funding has been secured from the LIST project to develop the business case for a Torbay model. The outline of this business case is to be reported in October.
- 4.14 Early indications are that the viability of this model will be marginal both in terms of the scale to attract external funding (especially via the emerging social investment market) and the number of referrals that TCS could contract into the service over a 5 year period. However the report is expected to indicate the potential level of positive outcomes and cashable savings.
- 4.15 A proposed investment stake in the model in the next stage of development would lever the required scale in the following ways;
- a) Ongoing discussions with local potential referral routes such as CAMHS (Torbay & South Devon care Trust) and neighbouring Children Services.
 - b) Ongoing negotiations with potential provider / investors. The TDA and Torbay Council are managing responses to a recent Prior Information Notice (PIN) submitted to the European Journal seeking to develop the market for organisations that would invest in the model and deliver the service.
 - c) Negotiations with broader funding sources such as social investment
- 4.16 In recent years Torbay Council has been managing increasing numbers of children at risk of entering care. When in care the costs to the authority are high, difficult to estimate and provide a particular problem in decreasing budgets.
- 4.17 If the proposal is implemented either using social investment or through the investor / provider model then the following additional benefits will have been achieved;
- The programme will have been implemented substantially using external finance
 - The substantial risk will be held with the SPV within which Torbay Council will have a minority stake.
 - The model will be innovative and potentially replicable, either in other locations and / or in other service areas where there is a demand for improved outcomes.
 - The programme will provide a legacy to the Peninsula LIST project within which Torbay Council are the lead authority.
 - The Cabinet Office is supporting and encouraging this form of innovative structure. The model has the potential to be recognised within the Cabinet Office's Commissioning for Better Outcomes Fund.

5. Possibilities and Options

- 5.1 The cost of this programme is anticipated to be approximately £2.25m over 5 years. It is probable that traditional internal and departmental finance sources would not fund this opportunity.
- 5.2 The business case being undertaken by Social Finance is exploring a number of options and with the investment stake can both lever other partners producing additional income sources and external funding.
- 5.3 All options gravitate to a new SPV that would be responsible for
- Managing funding sources
 - Governance structure
 - Commissioning the provider of FFT
 - Receiving performance management
 - Receiving a return on the investment when agreed outcomes are achieved and outcomes payments are made by TCS.

This SPV would provide the main advantage that the substantial funding stake would come from an external source. This model will also have a significant emphasis on being outcomes motivated and tracking the success of the service against those families and children that enter the service. The SPV will also be able to focus on other matters such as step down to local services provided by the voluntary sector and investment into a 'Data Capture Platform' that seeks to build an evidence base for earlier intervention.

The option of the SPV also includes a potential 'Investor Provider Model' whereby an external organisation, such as a large charitable children services supplier, partners the Council. Their unique sources of funding would be invested into the model with their return being achieved upon the achievement of successful pre determined outcomes.

- 5.4 Other options include;
- Fee for service. Unless a substantial alternative referral basis can be found this would place a substantial responsibility for the schemes funding on Torbay Council.
 - In house. A new department and staff financed by Torbay Council
 - Hybrid Model. Whereby a service provider covers some of the of an in house service e.g by covering the cost of some of the new therapists.

6. Fair Decision Making

- 6.1 The LIST project has an Equality Impact Assessment.
- 6.2 The structure of the LIST project includes a project board with representatives from each partner authority chaired by the Torbay Council Director of Place. The project

has regularly updated senior finance, legal and Childrens Services officers, including those from Torbay Council.

- 6.3 A sub meeting to the LIST project meets to consider the Torbay only work consisting of representatives of Torbay Council Procurement, Children Services, the Torbay Director for Place and the TDA.
- 6.4 The LIST project incorporates a VCS (Voluntary and Community Sector) Advisory group chaired by the South West Forum and consisting of VCS representatives across the peninsula. The Group have been responsible for many aspects of the LIST project including mapping services and building capacity.
- 6.5 The VCS advisory group commissioned two phases of beneficiary engagement seeking the views of young people with experience of being on the edge of care and the characteristics of the intervention FFT. The work was been undertaken by the organisation Young Devon who will provide assistance to the next stage of the Torbay model to consider and incorporate the views of young people.

7. Public Services (Social Value) Act 2012

- 7.1 The proposal will require the procurement of services.
- 7.2 Torbay Council Procurement are represented on the Torbay sub board to the LIST project
- 7.3 The Social Finance business case reporting in October will set the scene for how a model could improve the social and environmental well being of Torbay
- 7.4 The consultation by Young Devon outlined above provides a form of direct engagement with ultimate beneficiaries.

8. Risks

- 8.1 The proposal is for a minority investment stake in the model with the funding at risk if the intervention is unsuccessful and outcomes payments are not paid back to the SPV. However at this stage there is the potential for a high degree of risk mitigation from the following;
 - If the business case is not viable then the model will not progress to implementation.
 - Torbay Council is making an application to the Big Lottery Fund's and Cabinet Office's joint programme Commissioning for Better Outcomes (CBO) which seeks to support innovative outcomes-based investment. If the application is successful then there is the potential for development funding and possibly a 'top up' to outcomes payments back to investors.

- The improved prospect of a viable model would improve the opportunity for referrals from neighbouring sources such as Devon Council (a partner to the Peninsula LIST project) and CAMHS. These referrals are anticipated to be on a fee for service basis and would provide a low risk return to the SPV.
- A viable and successful service would also provide TCS with its local stakeholders (E.g Check Point) the opportunity to pay the SPV for spot purchase referrals.

8.2 The Peninsula LIST project had a specific requirement that such a model should look to avoid perverse incentives, for example seeking outcomes that encourage the avoidance of care as in certain circumstances care is the best option. Therefore the anticipated metric against which outcomes would be paid would be a tariff mechanism linked to a reduction in the numbers of overall days spent in care for the cohort.

8.3 It should be noted that although the evidence for FFT is strong internationally there is only an emerging evidence base from the UK. FFT has a strong evidence base in the area of criminal justice however the evidence is only emerging for looked after children.

8.4 If the proposal is not implemented;

- Torbay Council will have to attempt to create a model whereby it does not have a stake in the SPV
- TCS will have to look at providing a therapeutic service to families and children aged 11 – 15 substantially using their own resources