

4th September 2015

Dear Chancellor

A Local Outcomes Fund focused on vulnerable groups

The 2015 Spending Review presents a big opportunity to focus public finances much more sharply on achieving better outcomes for disadvantaged groups, including young people who are NEET, those who are homeless, those with mental health (and related unemployment) problems, and children on the edge of care.

To seize this opportunity, leading charities, sector leaders, and social investors are suggesting the Spending Review creates a 'Local Outcomes Fund' to improve outcomes for these groups and improve taxpayer value-for-money. Such a fund could be accessed by local bodies (local authorities, NHS commissioners etc.), many of whom have or are developing appropriate governance and commissioning mechanisms as part of the devolution agenda.

We believe a Local Outcomes Fund would: expand commissioning for outcomes; is consistent with public service devolution; make the best use of the services as well as the local intelligence of charities and social enterprises; and, take advantage of growing amounts of social investment capital and expertise.

We provide more detail in the attached submission. As well as the support of the organisations listed below, our proposal is further supported by Core Cities who would like to see the Local Outcomes fund catalyse integrated public services at a local level. And it is closely aligned to the National Housing Federation's Spending Review submission that advocates for a similar approach to improving outcomes for people facing particular barriers, such as homelessness, mental health issues, NEETs and others.

We stand ready to provide additional support and advice to government in the design and delivery of the Local Outcomes Fund.

Yours sincerely



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Innovative, integrated and local public services

A Local Outcomes Fund focused on vulnerable groups

THE CHALLENGE OF FRAGMENTED SERVICES AND POOR OUTCOMES FOR VULNERABLE GROUPS

Certain groups of people in the UK have suffered consistently poor personal outcomes for many years. These include:

- Over 700,000 young people in need of apprenticeships or at risk of being Not in Education, Employment or Training (NEET)
- Over 50,000 households who are statutorily homeless and tens of thousands more on the border of homelessness
- Over 1.2m people in contact with mental health services
- Over 68,000 Looked After Children, children on the edge of care and children at risk of going into care

Their collective experience represents an unacceptable set of poor outcomes in a wealthy twenty-first century country. It represents a missed opportunity to contribute to improved UK productivity and economic growth. And it represents enormous cost for tax-payers, as such groups often receive piecemeal and reactive public services in acute, expensive settings¹.

The 2015 Spending Review could start re-plumbing public finances to effect a dramatic improvement in public services for such vulnerable groups - an improvement that leaves public services more user focused, innovative, integrated and locally-responsive, and above all focused on achieving better outcomes at lower cost.

A LOCAL OUTCOMES FUND TO REFOCUS SERVICES FOR VULNERABLE GROUPS

We propose that the 2015 Spending Review should:

- establish a significant 'Local Outcomes Fund' (£1.0-£1.5bn over the Spending Review period) that, together with local commissioning budgets, can drive improved outcomes for these four beneficiary groups
- enable city-regions or other local commissioners such as Clinical Commissioning Groups or Local Authorities to access the Local Outcomes Fund, potentially as part of public service devolution deals
- set-out the specific outcomes and tariffs that the Local Outcomes Fund would pay-out against, for example: entry into and sustainment of employment or further education
- make awards from the Local Outcomes Fund against criteria including:
 - degree of focus on the vulnerable groups listed above
 - level of financial contribution from local commissioners, with preference for bids that involve multiple commissioners working together² and integrating their own funding streams
 - extent that services will be commissioned and paid-for on an outcomes basis
 - degree to which the commissioning approach enables innovation and in-service adaptation whilst making best use of existing models to improve outcomes for the beneficiary groups
 - emphasis on use of external service provision, particularly from innovative charities and social enterprises
 - reasonable minimum-size of commissioned contracts (at least £10m total contract size), to start building scale and efficiency into outcome-based contracting

¹ More detail on the consistently poor outcomes and cost pressures created by the current public service model for each of these four groups is given in Annex A

² These could be multiple commissioners within a geographic area, e.g. a local authority working a clinical commissioning group, or multiple commissioners across larger geographies, e.g. metropolitan boroughs working together within a city-region

- robustness of cost-benefit and evaluation frameworks, so that outcomes, costs and cashable savings are tracked and realised, and commissioning for outcomes is more widely used by the end of the SR period
- extent of structural change to service delivery

The Spending Review should establish an appropriate governance mechanism to oversee the Local Outcomes Fund. This could take advantage of the 10 new Cabinet Implementation Taskforces³, or a central department such as the Cabinet Office or Treasury.

A LOCAL OUTCOMES FUND HAS PROPORTIONATE COSTS AND WIDESPREAD BENEFITS

Public spending on the four vulnerable groups is already upwards of £15-20bn a year (or £60bn-£80bn over the SR period) even on conservative estimates⁴. Set in this context a £1-£1.5bn Local Outcomes Fund represents less than 2.5% of projected expenditure on such groups, and indeed might not require new funds but rather a better allocation of existing funds.

The Local Outcomes Fund would explicitly meet the priorities set out for the 2015 Spending Review⁵:

- *Promoting growth and productivity, including through radical devolution of powers to local areas in England*: there would be an emphasis on employment and education outcomes for several of the cohorts in question. And the Local Outcomes Fund would top up resources within city-regions and could even herald a range of ‘social city deals’ around public service devolution
- *Promoting innovation and greater collaboration in public services*: there would be strong incentives for interested areas to work together at a local level and integrate commissioning and service models
- *Delivering high-quality public services*: a Local Outcomes Fund would only pay-out on achievement of outcomes; external bodies and investors would bear the risk of non-performance. This fund could also drive effective commissioning and better aligned providers, through supporting the shift from buying inputs to buying outcomes.
- *Promoting choice and competition*: a Local Outcomes Fund would prioritise proposals that make the best use of providers across the public, private and especially the social sectors
- *Driving efficiency and value-for money across the public sector*: a Local Outcomes Fund should significantly incentivise preventative, up-stream service redesign; and provide a strong cost-benefit framework to ultimately allow expensive, reactive services in acute settings to be ‘turned-off’ and savings cashed.

The Local Outcomes Fund would also substantially realise the Conservative 2015 Manifesto commitment to innovation in public service delivery via outcomes programs and social investment⁶, and

³ <https://www.gov.uk/government/speeches/cabinet-committees-and-implementation-taskforces-membership-list>

⁴ Direct annual spending on:

- Lifetime public finance costs to the state for 16-18 year old NEETs are pegged at £12-32bn – we can estimate the share for each year cohort to be £4.0-10.6bn (Source: “Estimating the lifetime cost of NEET” 2010 University of York).
- services for homeless with complex needs: £4.3bn. (Source: “Hard Edges: Mapping Severe and Multiple Disadvantage in England” Lankelly Chase 2015).
- mental health services: £22.5bn (note a further £32bn in lost employment annually). (Source: “Paying the Price”, Kings Fund 2008).
- looked after children: £3.4bn (Source: “12 per cent more children in council care at an overall cost of £3.4 billion” Audit Commission 2014).
- Total costs on the lower end of these ranges -- £22.5 + £4.3 + £4.0 + £3.4 = £34.2bn annual public spending (both central and local). In recognition that there are overlaps between these populations, we can conservatively estimate that there is at least £15-20bn in non-duplicative spending on these beneficiary groups.

⁵ See paragraph 3.3, *A country that lives within its means, Spending Review 2015*, HM Treasury

⁶ “We will innovate in how we deliver public services - We have pioneered ways to deliver high-quality public services, including through getting the voluntary sector more involved. For example, our Work Programme has helped harness the talent and energy of charities to help people turn their lives around and find their way back into work. We will examine ways to build on this type of innovative approach in the future. We have also pioneered the use of social impact bonds and payment-by-results, and we will look to scale these up in the future, focusing on youth unemployment, mental health and homelessness.” Conservative Party Manifesto 2015, p 46

the March 2015 Budget commitment to further “exploring the cost-effectiveness of options to integrate spending around some of the most vulnerable groups of people”⁷.

AN OUTCOMES FUND IS EMINENTLY DELIVERABLE

A £1-£1.5bn Local Outcomes Fund would take advantage of several positive and mutually re-enforcing trends in public services:

- current momentum in public service devolution
- an emerging track-record of outcomes based commissioning
- growing experience among charities and social enterprises in delivering outcome based programmes
- record levels of available social investment

Public service devolution is gathering pace and a potential second wave of city deals (potentially ‘social city deals’) will build on the first set of deals focused predominantly on infrastructure and economic-growth. Already cities such as London and Manchester are developing bids to devolve public service spend to the city-level. A Local Outcomes Fund could accelerate that trend and incentivise cities to go further in innovative public service redesign.

A track-record of successful outcomes-based commissioning is emerging at both national and local levels, which a Local Outcomes Fund could build upon and accelerate further. Government departments have already run £65-70m of competitive outcomes funds such as the DWP’s Innovation Fund, the DCLG Fair Chance Fund and the DWP Youth Engagement Fund. These show how to join-up and enhance public service delivery for high-need populations, and make the most of charity and social enterprise service delivery. Local commissioners are also building experience: Essex County’s experience with a social impact bond aimed at reducing the number of at-risk children entering into care offers is an instructive example of the potential. By delivering a well-evidenced intervention (Multi Systemic Therapy) to children and families at the edge of care, Essex is seeing excellent outcomes for children and their families⁸.

Charities and social enterprises are increasingly experienced at delivering outcome-based programmes. There is a growing body of service providers that can handle outcomes-based-tariffs, performance management approaches, and in-contract service adaptation. And as recently as May 2015, 50+ charity leaders urged government to invest in more early intervention and joined up services for a range of social problems⁹. Additionally organisations such as the Education Endowment Foundation and other What Works Centres are helping to develop and aggregate the evidence base for interventions that are effective in improving outcomes for these groups.

Finally, there is now £150 – £200m of social investment capital available today via at least 10 different social investment vehicles. This can go a long way to meet the finance needs of charities and social enterprises as they look to deliver outcomes-based contracts and participate in social impact bonds. The involvement of investors in outcome based contracts can help transfer risk away from charities and social enterprises that are not in a position to take on the financial risk. In interim process evaluations of Social Impact Bonds, investors have been shown to improve the rigour of performance management as well as data collection and in doing so, drive improvements in social outcomes¹⁰. Future developments in social investment include: Big Society Capital’s commitment to set-up a second specialist fund

⁷ Budget 2015, section 1.87, HM Treasury

⁸ Currently 80% of the children on the program remain at home with their families. Social Finance conservatively estimates that if this effective intervention were expanded nationally to the population most realistically eligible (about 45% of looked-after adolescents), the total national net savings over and above the cost of the programme would be £201 - £520 mn over the 2.5 years such children typically spend in care.

⁹ <http://www.independent.co.uk/news/education/early-interventions-to-stop-young-people-going-off-the-rails-could-save-17bn-a-year-say-leading-charities-10224435.html>

¹⁰ https://www.london.gov.uk/sites/default/files/Qualitative_Evaluation_of_the_London_Homelessness_SIB.pdf

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/325738/peterborough-phase-2-pilot-report.pdf

focused on outcomes finance¹¹; increasing interest from institutional investors (such as global insurer QBE who announced an intention to put more than £100m into Social Impact Bonds worldwide¹²); and, the ability to finance Social Impact Bonds via retail investors and the use of the Social Investment Tax Relief¹³.

CONCLUSION

A Local Outcomes Fund focused on vulnerable groups could herald significant improvement in outcomes for these groups as well as value-for-money for the taxpayer. It will incentivise local commissioners to work together or propose fuller devolution of public services. It will bring forward the day when more public services are paid for on outcomes from a diverse mix of public, private and importantly social sector providers. It will enable collaboration and co-design with charities and social enterprises – bringing their expertise and community capital to bear. It takes advantage of record amounts of available social investment. And it fully meets the principles and priorities of the 2015 Spending Review.

¹¹ <http://www.bigsocietycapital.com/blog/were-planning-call-new-outcome-finance-fund>

¹² <http://www.afr.com/markets/debt-markets/qbe-ready-to-invest-111-million-in-social-impact-bonds-20140916-jf08q>

¹³ <http://www.thirdsector.co.uk/social-investment-tax-relief-homelessness-social-impact-bonds/social-enterprise/article/1332590>

ANNEX A - CURRENT OUTCOMES, COSTS, SERVICES BY EACH TARGET GROUP

A1. YOUNG PEOPLE WHO ARE NEET/AT RISK OF BEING NEET

Current extent and depth of poor outcomes

- There were 787,000 NEETs 16-24 in England in Q4 2014, or 13.1% of that age cohort. Of these, 133,000 were 16-18 (representing 7% of this age group), and 654,000 were 19-24 (15.9% of this age group).¹⁴
- A young person who is NEET for just 6 months will lose up 11% p.a. in salary – up to £50,000 in lifetime earnings vs non-NEET peer, and up to £225,000 over lifetime vs non-NEET peer who graduated university.¹⁵

Fiscal and economic cost of poor outcomes

- Economic costs: The productivity loss to the economy as a result of youth unemployment is estimated at £10 million every day.¹⁶
- Further costs to society: NEET status is associated with multiple poor outcomes: teen pregnancy, youth offending, insecure housing/homelessness, mental & physical health problems, and substance abuse. Beyond lost taxes, costs from additional public services connected to these needs are estimated at UK £77bn each year.¹⁷
- Costs accrue to HM Treasury in the form of lost tax, DWP in benefits, MoJ in increased crime incidence, NHS in increase primary & secondary hospital incidences – and DfE & BIS for education/skills outcomes paid for but not realized.

Current provision of services

- DWP has taken lead on trying to serve this group through programmes such as the Youth Contract and recent Innovation Funds focused on preventing young people from becoming NEET.
- Many services within schools that used to target this group (e.g. career connexions) and were funded by DfE are no longer available.
- BIS and the Skills Funding Agency are driving the uptake of apprenticeships.

Evidence base for more innovative interventions:

- Research compiled by both the Education Endowment Foundation and other sources demonstrate an array of effective interventions for under-18 youth still in school.
- At the same time, there are also promising interventions and research about addressing the post-18 part of the NEET population: innovative literacy/math providers, stronger careers advice models, promising employer-college partnerships, lessons from community college reinvention in the US, etc.

Possible outcome metrics:

- Improved attendance and behaviour at school
- Entry into education and achievement of qualifications
- Entry into and sustainment of accommodation
- Entry into and sustainment of employment or volunteering

¹⁴ “NEET Quarterly Brief – October to December 2014”, Department for Education, released Feb 26 2015

¹⁵ “Make NEETs History in 2014,” Impetus PEF, January 2014 - http://impetus-pef.org.uk/wp-content/uploads/2013/12/Make-NEETs-History-Report_ImpetusPEF_January-2014.pdf

¹⁶ <https://www.princes-trust.org.uk/PDF/Princes%20Trust%20Research%20Cost%20of%20Exclusion%20apr07.pdf>

¹⁷ “Make NEETs History in 2014,” Impetus PEF, January 2014 - http://impetus-pef.org.uk/wp-content/uploads/2013/12/Make-NEETs-History-Report_ImpetusPEF_January-2014.pdf

Potential savings (illustrative) from preventative interventions:

Negative Outcomes	Current Expenditure	Payer(s)
Cost of Truancy (missing at least five weeks of school per year)	£1,418 per annum	Multiple
Permanent exclusion(secondary school): average cost of alternative education provision	£8,612 per annum	DfE
Average cost per 18-24 year old Not In Employment Education or Training (NEET)	£ 4,637 per annum	HMRC
First order fiscal benefit from a workless Job Seeker's Allowance claimant entering work	£9,725 per annum	DWP

A2. HOMELESS PEOPLE

Current extent and depth of poor outcomes

- Rough sleepers: Although there are challenges in obtaining robust figures, official DCLG count of rough sleeping counts in Autumn 2014 on any one night in England was 2,744. DCLG also reports CHAIN data showing a total of 6,508 rough sleepers had been seen by rough sleeper outreach teams in 2013-14 in London.¹⁸ This number is probably also conservative: homeless charity Crisis notes that 44% of current rough sleepers surveyed by Crisis reported that they had not had any contact with a rough sleepers' team in the past month.
- Statutorily homeless: 111,960 households applied to their local authority for homelessness assistance in 2013/14, a 26 per cent rise since 2009/10. Just over 52,000 were accepted as homeless and in 'priority need' - a 31 per cent rise since 2009/10.¹⁹

Fiscal and economic cost of poor outcomes

- 2010 estimates of the annual costs of homelessness to government range from £24,000 - £30,000 (gross) per person, anything up to circa £1bn (gross) annually²⁰. These include costs to the DWP as a result of benefit payments, employment programmes, associated administration costs and payments to Local Authorities for administering housing benefit; costs to DH through increased mental health problems, substance misuse and alcohol dependency; cost to MoJ through the links between homelessness and offending behaviours and direct costs to local authorities through providing accommodation and for homelessness prevention.
- Other estimates focusing on rough sleeping show that the cost of rough sleeping per person can be as high as £37,000²¹

Current provision of services

- Many vulnerable people become trapped in the cycle of homelessness as they need more specialist support than mainstream services can offer.²²
- People who are homeless are more likely to access substance abuse, mental health services and experience offending behaviours but often these services are not working together.²³

Evidence base for more innovative interventions:

- Analysis from Centrepont suggests that £1 spent by Centrepont in intervening during the early stages of homelessness, compared with similar intervention at a later stage, results in potential costs avoided by the public purse of £2.40.
- Emerging evidence of effectiveness of Housing First approach to break down cycle of homelessness²⁴
- A range of improved outcomes under London rough sleeping SIB, including most importantly Increases in stable accommodation outcomes²⁵
- Early but positive outcomes emerging in SIBs targeting homeless youth under DCLG's Fair Chance Fund

Possible outcome metrics:

- Entry into and sustainment of education

¹⁸ Crisis, <http://www.crisis.org.uk/pages/rough-sleeping.html>

¹⁹ Crisis <http://www.crisis.org.uk/pages/homeless-def-numbers.html>

²⁰ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/7596/2200485.pdf

²¹ http://data.gov.uk/sib_knowledge_box/london-rough-sleeping-social-impact-bond

²² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/417230/150325_Addressing_Complex_Needs_-_final_publication_amended.pdf

²³ Hard Edges: Severe and Multiple Disadvantage in England, Bramley, Fitzpatrick et al, commissioned by the Lankelly Chase Foundation, 2015: http://www.lankellychase.org.uk/assets/0000/2858/Hard_Edges_Mapping_SMD_FINAL_VERSION_Web.pdf

²⁴ <http://www.changing-lives.org.uk/news/housing-first-groundbreaking-research-homelessness-approach/>

²⁵ https://www.london.gov.uk/sites/default/files/Qualitative_Evaluation_of_the_London_Homelessness_SIB.pdf

- Entry into and sustainment of accommodation
- Entry into and sustainment of employment or volunteering
- Reduction in A&E episodes against baseline

Potential savings (illustrative) from preventative interventions:

Negative Outcomes	Current Expenditure	Payer(s)
First order fiscal benefit from a workless Job Seeker's Allowance claimant entering work	£9,725 per annum	DWP
First order fiscal benefit from a workless Employment and Support allowance claimant entering work	£7,898 per annum	DWP
Cost of entry into A & E	£177 per attendance	CCG/NHS
Cost of dealing with anti-social behaviour	£673 per incident	Police
Cost of offence	Varied	MoJ
Cost of temporary accommodation	Varied	LA

A3. YOUNG PEOPLE AND ADULTS WITH MENTAL HEALTH PROBLEMS

Current extent and depth of poor outcomes

- One in four adults suffer from mental health problems. Many of these problems become visible during adolescence - 75% of adult mental health problems are present before age of 18.
- There were 1.747m people in contact with specialist mental health services in 2013/14. 105,270 (6.0 %) spent time in hospital. Additionally there were 21.706m outpatient and community contacts arranged for mental health service users in 2013/14.²⁶

Fiscal and economic cost of poor outcomes

- Total UK govt direct spend on mental health funding each year is £8.6 bn²⁷; by OECDs estimate, total costs to UK are closer to £70 bn/year²⁸
- Mental ill health is the single largest cause of disability in the UK, contributing up to 22.8% of the total burden, compared to 15.9% for cancer and 16.2% for cardiovascular disease.²⁹
- The wider economic costs of mental illness in England have been estimated at £105.2 billion each year. This includes direct costs of services, lost productivity at work and reduced quality of life.³⁰ To take a subgroup, recent research has shown that the social and economic costs of perinatal mental health problems are £8.1bn for each one year cohort of births in the UK. These are five times greater than the cost of providing the services that are needed throughout the UK³¹.
- Costs related to employment: Especially dramatic and measurable are costs related to employment. Only 37% of people with mental health issues are employed.³² Only 8% of people with severe mental health issues are in work.³³
- For children and young people, mental health problems are associated with excess costs estimated as being between £11,030 and £59,130 annually per child. These costs fall to a variety of agencies (e.g. education, social services and youth justice) and also include the direct costs to the family of the child's illness³⁴.

Current provision of services

- Mental health services are under significant pressure with most provision focused on acute services. Additionally there is insufficient support for helping people with mental health problems back to work.
- For young people, although one in ten 5-16 year olds have a mental health disorder, fewer than 35% young people with mental health problems actually get help.

Evidence base for more innovative interventions:

- Evidence behind access to work schemes: Extensive academic research and provider experience shows that evidence-based supported employment services, such as Individual Placement and Support (IPS) can help >30% of service users achieve job outcomes. IPS services have also been shown to improve individual health and wellbeing.³⁵

²⁶ <http://www.nhsconfed.org/resources/key-statistics-on-the-nhs>

²⁷ <http://www.england.nhs.uk/2014/10/10/world-mental-health-day/>

²⁸ <http://www.theguardian.com/society/2014/feb/10/mental-health-issues-uk-cost-70bn-oecd>

²⁹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/215808/dh_123993.pdf

³⁰ The Economic and Social Costs of mental health problems in 2009/10. Centre for Mental Health

³¹ <http://www.centreformentalhealth.org.uk/costs-of-perinatal-mh-problems>

³² Psychological Wellbeing and Work, RAND Europe (Jan 2014)

³³ HSCIC, Measures from the Adult Social Care Outcomes Framework (ASCOF), England (2013/14)

³⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/252660/33571_2901304_CMO_Chapter_10.pdf

³⁵ Multiple academic studies, see for example: Knapp, Patel, Curran, Latimer "Supported employment: cost effectiveness across six European sites" World Psychiatry 2013; Burns, Catty, Becker "The effectiveness of supported employment for people with severe mental illness" Lancet 2007; Bush, Drake, Xie "The long term impact of employment on mental health service use and costs for persons with severe mental illness" Psychiatr Serv 2009; Perkins Born, Raines "Program evaluation from an ecological perspective: supported employment services for persons with serious psychiatric disabilities" Psychiatr Rehabil 2005; Dominy, Hayward Butcher "Is Work Good for You?" A research project by Southdown Housing Association Nov 2011

- Increasing evidence around early intervention in mental health for young people: EIP care significantly improves a young person’s prospects of recovering from psychosis. It also reduces the likelihood that they will relapse, or be detained under the Mental Health Act, potentially saving the NHS £44million each year through reduced use of hospital beds. Early intervention also reduces the risk of a young person taking their own life, from up to 15% to 1%.³⁶
- Low cost online tools offering Online Talking Therapy (cCBT) are increasingly seen as a cost effective way of providing support for people with low level mental health needs

Illustrative outcomes to commission for:

- Entry and sustainment of employment
- Mental health outcomes need to be designed once there is further detail on target beneficiary groups. Self-reported mental health outcomes can include reduced anxiety, reduced isolation and decision to receive specialist support.

Potential savings (illustrative) from preventative interventions³⁷:

Negative Outcomes	Current Expenditure	Payer(s)
Average cost of service provision for adults suffering from depression and/or anxiety disorders, per person per year	£ 977 per annum	CCG/NHS
Mental health inpatient	£459 per bed per day	CCG/NHS
Mental health outpatient	£150 per attendance	CCG/NHS
Local authority care home for people with mental health problems	£1,070 per week	LA
First order fiscal benefit from a workless Employment and Support allowance claimant entering work	£7,898 per annum	DWP

³⁶ <http://www.rethink.org/media/973932/LOST%20GENERATION%20-%20Rethink%20Mental%20Illness%20report.pdf>

³⁷ All unit costs taken from http://neweconomymanchester.com/stories/832-unit_cost_database

A4. CHILDEN AT THE EDGE OR IN CARE

Current extent and depth of poor outcomes

- 68,840 looked after children in England as of March 2014³⁸
- Range of poor outcomes associated with LAC:
 - In education, 50% of looked after children achieve fewer than 5 GCSEs, compared to 10% of the population overall.
 - 49% of all young offenders have been in care³⁹
 - Over 23% of prisoners have been taken into care as a child compared to 2% of the population.⁴⁰
 - Children in care are 4-5 times more likely to struggle with mental health issues⁴¹

Fiscal and economic cost of poor outcomes

In the 2013/14 financial year an estimated £2.5 billion (gross expenditure) was spent on the main looked after children's services in England. The majority of expenditure (55%) was on foster care services (around £1.4 billion, 55%) and children's homes (around £0.9 billion, 36%), with an average cost per looked after child being £36,524⁴²

Current provision of services

- The care system can and does work for many children, but can be improved so that children and young people are supported to remain with/return to their birth family where appropriate.
- Children in care often have poor outcomes after leaving the system, as they navigate a bureaucratic system that is different from council to council.⁴³
- New Social Impact Bonds in Essex, Manchester and Birmingham are currently trialling new interventions to reduce number of looked after children, particularly those in residential placements.

Evidence base for more innovative interventions:

- Increasing evidence of edge of care diversion and in-care de-escalation.
 - Edge of care diversion: interventions such as Multi-systemic therapy have developed an increasing evidence base in the US. In the UK MST is implemented through, for example, the Essex Social Impact Bond.
 - Placement de-escalation:
 - Multi-dimensional Treatment Foster Care (MTFC) is an intensive treatment foster care intervention for children and young people between 3-17yrs. Foster carers receive intensive support and training to offer single family placements to enable children and young people to build on their strengths and address the difficulties in every area of their lives. MTFC increases the number of young people in care residing within family based placements and saves resources by reducing those in higher cost residential placements. It has been running in England for over ten years and is being implemented in a number of Social Impact Bonds in the UK.
 - Functional Family Therapy (FFT) is a short-term, high quality intervention program with an average of 12 to 14 sessions over three to five months. FFT works primarily with 11- to 18-year-old youth who have been referred for behavioural or emotional problems by the juvenile justice, mental health, school or child welfare systems.
- These interventions are supported by the National Implementation Service, which is funded by the DfE and based at the South London and Maudsley NHS Foundation Trust.

Illustrative outcomes to commission for:

³⁸ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/359277/SFR36_2014_Text.pdf

³⁹ <http://www.thewhocarestrust.org/uk/pages/growing-up-in-care.html>

⁴⁰ <http://www.thewhocarestrust.org/uk/pages/the-statistics.html>

⁴¹ "Couldn't Care Less" Center for Social Justice 2008

⁴² Rachael Harker and Sarah Heath, House of Commons library (2014) Children in Care in England: Statistics (2014)

⁴³ <http://www.publications.parliament.uk/pa/cm201415/cmselect/cmeduc/259/25902.htm>

- Days spent in residential care compared to historic baseline
- Days spent in foster care compared to historic baseline
- Maintained or improved educational attendance and achievement
- # of cases without an arrest

Potential savings (illustrative) from preventative interventions:

Negative Outcomes	Current Expenditure	Payer(s)
Cost of foster care for child	£ 700 per week	LA
Cost of residential care for child	£2995 per week	LA
Cost of offence	Varied	MoJ
Cost of incident of anti-social behaviour	£673 per incident	Police

A5 – POTENTIAL ADDITIONAL GROUPS

We recommend that the Outcomes Fund initially focuses on the four groups listed at the beginning of this submission. In time, however, the model could be used to incentivise a shift to outcomes-based commissioning and preventive services in other areas typified by poor outcomes for vulnerable groups, fragmented service delivery and expensive service models. Further vulnerable groups who might benefit include:

Target groups	Preventative outcomes	Potential savings	Examples of promising interventions w/evidence base
People with Dementia	Delay of entry into care or reduced hospital stay	Residential care costs – LA budgets Secondary care use – CCGs	Horticultural activities
People who are obese or have diabetes	Delay of diabetes onset or better management	Hospital use- NHS Employment - DWP	Social prescribing
Children who are obese	Avoidance of onset of Type II diabetes and adult obesity by 10 years	Treatment for type 2 diabetes – CCGs Related health conditions for diabetes - CCGs	Mental health support
Carers	Improvement in independence and delay in need for care	Employment – DWP Care costs - LAs	
Families in fuel poverty	Reduction in fuel poverty	Employment – DWP Hospital use - CCGs	Wraparound family support