

Social Impact Bonds

It's All About Me – A case study

21 November 2013

Context and aims

Understanding the problem

- Adoption is identified by Local Authorities as the best option for 5,000 children every year
- Around half are placed locally
- The rest are logged on the National Adoption Register
- 80% of these are not chosen by parents due to age, sibling group, background etc.

The impact of a solution

- Our work with one of the VAAs demonstrated a gain to society of at least £1m per child in an adoptive family compared to foster care.

...so the problem is worth solving...

Three steps to change

1. Create a new market for the children: one that works

- IAAM is a targeted service aimed at the 2,000 children every year who are not placed with an adoptive family
- Rather than ‘parents shopping for children’, each child is registered to one of a national network of providers who:
 - Is out there recruiting parents willing to participate
 - Has the backup of an assessment from SLAM to understand each child’s needs
 - Is linked to other VAAs through the IAAM network
 - Seeks out the best possible match with adoptive parents from around the network based on the needs of the child
 - Delivers personalised training and 24/7 helpline support to those parents for two years post-placement
- The IAAM service is structured around a Payment by Results model:
 - LAs pay £53,600 for a successful placement across four milestones

Three steps to change

2. Create change in the investment market

- The IAAM SIB has several unique (so far) features:
 - Use of a portfolio approach to outcomes measurement to spread risk evenly among service delivery organisations
 - Risk tiering – investors bear the risk of placement failure up to 10% of the portfolio, with VAAs bearing any excess risk
- Those features change the risk profile of the SIB compared to others – this has the risk/reward profile of debt rather than equity:
 - Investors receive a 4% annual yield plus a 50% share of residual profits
 - That is expected to achieve a total return of around 10%
 - The remaining 50% of profits will remain to perpetuate IAAM after ten years
- Funding from the Cabinet Office's Social Outcomes Fund has been obtained either to:
 - Underwrite the 4% yield to investors; or
 - Increase the surplus available to perpetuate the scheme

Three steps to change

3. Create change by starting a wider sense of network working for VC Sector

- IAAM is the first UK-wide SIB, with delivery organisations based in or covering all regions
- The network has been developed with CVAA as the hub
- The network allows all delivery organisations to share risk:
 - The portfolio effect averages placement failures across the network and over ten years
 - All VAAs share a common interest in making cases succeed as their own financial return depends upon it – there is a financial incentive to help others
- Each VAA brings with it particular expertise/capabilities – the whole is greater than the sum of its parts

And most importantly...

If it works at its present level, we expect to achieve social gain worth over £1.5bn in a ten year period.