

NSW Social Impact Investment

The NSW Government launched the [Social Impact Investment \(SII\) Policy](#) and established the NSW Office of Social Impact Investment (OSII) in 2015. As part of OSII's commitment to regular market engagement we release this Statement of Progress to update stakeholders on our efforts over the last 18 months and to share our priorities for the following twelve months.

Six investments valued at over \$200 million supporting better services for 16,000 people and families in New South Wales

Key achievements



Implementation of the Foyer51 investment commenced, this SII will support young people exiting out-of-home-care transition to independence



Progressing a youth unemployment investment through to the Joint Development Phase



Developing a pilot rate card approach and launching an SII financial model template to support proponents in their response to SII Requests for Proposals



Co-hosting the second '*Investing for Good: Conference and Marketplace*' event to help build the readiness of market participants and promote SII understanding



Hosting 14 capacity-building workshops including six regional SII road-shows across New South Wales



Chairing the SII Interjurisdictional Network and supporting other states and territories to commission new investments



Achieving strong results in our existing SII portfolio, with new health investments launching and positive annual reports in the out-of-home-care bonds

Updates on SII portfolio

In 2017 we celebrated key milestones in some of our existing investments. These include:

- Raising capital and beginning services for the **Resolve** Social Benefit Bond, Australia's first SII to improve mental health outcomes
- Commencing services for the **Silverchain** investment which will support approximately 8,300 patients with enhanced community-based palliative care services
- Delivering investors a 13.16% per annum return to investors in the **Newpin** Social Benefit Bond, with children safely restored across the first four years of the bond exceeding 200
- Reporting interim fourth year results for the **Benevolent Society** Social Benefit Bond, showing 32 per cent fewer children entering care compared to the live control group
- Progressing the **On TRACC** re-offending program into its second year of service. We look forward to seeing results for the first year cohort by the end of 2018.

Progress on 10 key policy actions

A. Deliver more social impact investments

1. Target delivery of two new social impact investments to market per year

We have delivered one new social impact investment since our last Statement of Progress was released, with a second progressing to the Joint Development Phase.

The **Foyer51 investment** will support young people to transition to independence. Young people aged 18-22 who have exited out-of-home care will live in safe and affordable accommodation as they are helped to transition to independence. Based on an internationally successful program, participants will spend on average 18 months in a self-contained studio apartment. Construction of this Chippendale facility is scheduled to begin later in 2018, with client services expected to commence in 2021.

OSII continues to target delivery of two new social impact investment to market per year

In July, we re-opened a request for proposals (RFP) for a **youth unemployment SII**. One proposal for this RFP has progressed to the Joint Development Phase. This investment will deliver on the Government's \$10 million commitment to an SII targeting regions of high youth unemployment.

The Government has announced \$20 million for an SII targeting homelessness as part of its 2018 Homelessness Strategy. A further \$10 million has been announced to progress SII opportunities supporting Aboriginal economic development and prosperity. OSII look forward to work with the SII market in NSW to progress these and other SII opportunities throughout 2018.

2. Publish Social Impact Investment Principles

We maintain our commitment to the NSW Government's [Principles for social impact investment](#) published in 2015. These principles underpin OSII's priorities and operating model.

The five principles for NSW social impact investment proposals are:

1. Robust measurement
2. Value for money
3. A service likely to achieve social outcomes
4. Appropriate sharing of risks and returns
5. A focus on high priority social problems

3. Publish benchmark cost and outcomes data

OSII recognises the importance of providing more cost and outcomes data to the market. In 2017, we released a financial model template to support proponents to develop their financial modelling as part of the Request for Proposals (RFP) process.

To provide further cost and outcomes data support to the market, we're excited to trial a 'rate card' approach in 2018. A rate card will provide key metrics and important price information as part of the RFP. This is designed to support the NSW SII market in several key ways:

- Sending a clear market signal as to the range of outcomes sought and the price Government is willing to pay for those outcomes.
- Streamlining the investment process by simplifying measurement, providing more data up-front and standardising some aspects of investments.
- Reducing the cost of capital through interval payments, enabling quicker cycling of capital.

4. Deliver a Social Impact Investment Statement of Opportunities

In November 2017, OSII announced five priority policy areas as future opportunities for SII in NSW:

- Homelessness
- Juvenile justice
- Place-based Aboriginal economic development
- Family and domestic violence
- Female offending

These priorities identify policy and service areas we are considering for future RFP opportunities. Future SII opportunities are not limited to these areas and we are constantly working across government to scan the policy environment and identify areas where SII can most add value.

B. Grow the market and remove barriers

5. Hold a series of social impact investment roundtables and market sounding sessions

Several market engagement events were held throughout 2017. Our market briefings and 14 capacity-building events were well attended. OSII continues to engage directly with academic, investor, philanthropic, non-profit, intermediary and government stakeholders regularly. These activities are valuable for better understanding and supporting our SII market.

"Thank you for making these available. It's a good opportunity to see what's happening, including in government, in the social impact investment space in NSW"

-2017 workshop attendee

We also convened two roundtables with philanthropic organisations to discuss new ways of collaborating that achieve social impact. As a result, we will trial a new approach to brokering partnership opportunities as part of the RFP process. Working with Philanthropy Australia, we will seek to connect SII proponents who have not progressed to JDP with prospective philanthropic partners.

6. Establish an Inter-Governmental Taskforce on Social Impact Investment

The **Social Impact Investment Inter-Jurisdictional Network** continues to meet quarterly. The Network is comprised of representatives from Australian states and territories. In November 2017, the Network held its first face-to-face gathering and will aim to meet in person annually.

There are now SII in four states and the Commonwealth have committed funding towards SII. This network is a genuine 'community of practice' and provides a valuable opportunity to share information, activities, and lessons in impact investing. Key discussion points to date include data use and access, capacity-building activities and the sharing of key resources and materials.

7. Promote understanding of the social impact investment market

We undertook a number of activities to promote understanding the SII market, including:

- Co-hosting the **Investing for Good: Conference and Marketplace**, with the NSW Council of Social Services. This brought together over 200 SII stakeholders, including in a marketplace where OSII team members engaged closely with individuals and organisations.
- Sponsorship of the **Asian Pacific Impact Investment Summit**, which saw Australian and international SII leaders come together in Sydney last November.

As SII market leaders, we are committed to promoting understanding of SII across NSW and will continue to support efforts to grow knowledge of SII and its many benefits.

C. Build capacity of market participants

8. Improve government agencies readiness for social impact investment

We partner with agencies in every SII we undertake. To support this, we continue to support government line agencies to develop investments, engage with non-government stakeholders, and build capacity in outcomes measurement. OSII is a joint team of the Department of Premier and Cabinet and NSW Treasury, we also partner with the following NSW Government agencies:

- Department of Family and Community Services
- Ministry of Health
- Corrective Services NSW
- Department of Education
- Department of Industry
- Office of Environment and Heritage
- Aboriginal Affairs

We are working with our agency partners, and the Commissioning and Contestability Unit of NSW Treasury to explore how the valuable evidence of 'what works' from our existing investments can inform future policy reforms and service decisions.

In 2017, we held feedback sessions with 'deal teams' from each of our existing investments. These discussions provided valuable insights on what worked well and what could be improved with the work OSII does. These discussions will help us improve the way we work in the future and support our commitment to working with more agencies on a diverse range of SII opportunities.

9. Facilitate non-government sector readiness for social impact investment

In 2017, we held 14 capacity-building work-shops for service providers across NSW. In a state first, we partnered with the NSW Council of Social Services to take SII to the regions. Six workshops were held in July and August taking SII roadshows to Newcastle, Coffs Harbour, Kiama, Orange, Wagga Wagga and Parramatta.

"The workshops are such a positive initiative...The workshop series introduced new ideas in a way that focused on capacity..."

-2017 workshop attendee

We also held a program of capacity-building seminars from October to December. This saw industry leaders talk potential proponents through program logic and outcomes contracting, human-centred design and social enterprise development. Strong demand for our capacity-building workshops continues. We will continue our program of workshops and seminars in 2018. We have made a series of online training modules available on our website for participants to access remotely and at their own pace.

OSII is grateful for the ongoing support of many individual, corporate and philanthropic stakeholders in our ongoing capacity-building efforts. We thank also our Expert Advisory Group for sharing their valuable expertise and insights with OSII.

10. Publish a Statement of Success

This Statement of Progress reflects our delivery of the 10 NSW Government SII policy actions. It highlights our achievements in 2017 and priorities for 2018. Past Statements of Progress can be found at www.osii.nsw.gov.au.

Key lessons

We remain committed to listening to our stakeholders and seek regular feedback on what we do and how we do it. Key lessons we've learned from 2017 include:

- An ongoing need to reduce complexity in developing investments, addressing the high resource costs associated with SII processes.
- Improving data quality and availability, in particular data relating to desired outcomes and government costs and savings.
- More support to build capacity across all parts of our market: agencies, providers, intermediaries and investors.
- Interest in co-development opportunities that can help provide earlier feedback and support design of better proposals.

Focus in 2018

OSII aims to continuously improve and our focus in 2018 will be to respond to market feedback while we further progress delivering of the NSW SII Policy.

A Market Development Strategy has been developed to help us grow a larger and more diverse NSW SII market. In particular, it aims to streamline processes and address complexity in SII processes, develop capacity of proponents, intermediaries, investors and government, and achieve greater impact through more and larger investment opportunities.

OSII aims to deliver on these priorities through future RFP opportunities, the SII Evolve co-development trial and future SII initiatives.

OSII is proud of the partnerships we have with agencies, intermediaries, service providers, investors, philanthropists and expert advisors. We are grateful for the strong support we receive from our stakeholders and look forward to further collaborations to support SII in NSW.