

# Market Briefing Wrap-Up:

## Aboriginal economic development and SII Evolve

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**4 September 2018**  
**Gerrigong**

The following provides a summary of the questions asked at the session, and the answers provided.

### **How is the investment return calculated?**

The return to investors is based on the performance of the service. If the service meets the target outcomes, based on the payment metrics chosen, then the investor will receive a specified rate of return which is agreed during the Joint Development Phase (JDP) of the contract. If the service exceeds the target, then the investors receive a higher return and if the service falls below the target the investor does not receive a return. In some instances, the investor might lose a portion of the funds invested. This demonstrates the risk and benefit sharing between the parties in a social impact investment contract.

### **At what intervals are the outcomes measured and returns paid to investors?**

The periods in which outcomes are measured depends on the contract and differ for each investment. These details are agreed during the JDP. With some investments, performance is measured annually and returns are also paid annually, with others measurement and payment is made at the end of the contract.

### **Who is the independent certifier of the outcomes and how are they selected?**

Social impact investments must be regularly monitored to ensure they are achieving their intended outcomes. The outcomes are independently certified by a third-party certifier. The independent certifier is selected through a competitive process. Social impact investments are also independently evaluated.

### **How are the government savings calculated?**

Government savings include those that are cashable – that is, immediate savings to the NSW Government, in terms of reduced service demand (i.e. cost savings for corrections, health services, police and court services). Other types of benefits are avoided costs to NSW Government (i.e. avoided costs for children in long-term care, or reduced hospitalisations and contact with the justice system) and efficiency dividends (e.g. seeing more clients for a fixed value or providing a similar service at a lower unit price). Proposals should focus heavily on NSW Government direct costs and other Government costs as it is these are the costs that the NSW Government is seeking to reduce.

### **What happens at the end of the contract? Is the investment extended if proven successful?**

Social impact investment tests programs and if proven successful then the government will consider opportunities to mainstream the service.

### **Does Newpin consider broader avoided costs, i.e. relating to foster care?**

Social benefit bonds consider a broad range of savings, for example, in the case of Newpin, these are savings that arise out of restoring children in out-of-home care (OOHC) to their families and preventing children at risk from entering OOHC. This includes cash savings from reduced care placements and avoided costs from reducing the number of children in out-of-home care as they are not in long-term care. Broader costs to government include high levels of contact with a range of social services. However, it is important to note that the wider the benefits,



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the harder it will be to complete a social impact investment, with negotiation and partnerships required across different organisations, government agencies and jurisdictions.

**Would issues such as domestic violence be a suitable policy area as it will cover government savings from several areas such as health and justice?**

Family and domestic violence is one of the Office of Social Impact Investment's (OSII) endorsed priority areas. This is due to the serious impact domestic violence has on victims, including homelessness, financial distress, child protection interventions, and an increased risk of mental and physical health conditions.

**Is there funding committed for SII Evolve?**

As SII Evolve occurs outside the traditional RFP process, it is important to note there is no funding committed from the outset. Funding arrangements will be determined through the co-development and joint development stages.

**What is the scale you are looking for in the proposals, noting the regional organisations might not have as large of a cohort size?**

Generally, the investments involve a target population in the hundreds, but there is a range. We are encouraging regional organisations to apply to these request for proposals and will assess accordingly. What needs to be considered is that the target cohort is sufficiently large enough to support a dedicated service and to measure improvements.

**Are you seeking regional organisations to apply and are any current investments regionally based?**

Yes, OSII has streamlined and simplified the proposal process with the objective of encouraging smaller organisations and regional organisations to participate in social impact investment. Our Resolve Social Benefit Bond aims to improve wellbeing of individuals experiencing a mental health illness in the Western New South Wales and Nepean Blue Mountains local health districts, with one centre in Orange. We hope to increase the number of investments regionally based through these current opportunities.

**Do the proposals have to be a new program or can existing proposals apply?**

No, the proposals do not have to be for new programs. Existing proposals are eligible, if the intent is to scale the program in some way. It is important to demonstrate additionality, meaning that the proposed service will fill a gap in the current service provision and/or will not duplicate an existing government-provided service.

**What is the timeline for the process?**

Proposals for the Aboriginal economic development investment must be fully submitted by 28 September 2018, and SII Evolve closes 12 October 2018. The timeframes for subsequent stages will depend on the needs of the proponent and their communities. Indicative timeframes are outlined in the RFP documentation, but OSII is flexible with the timing, especially with the Aboriginal economic development investment.

**What are the data requirements and does it align with other data collection in government?**

Data is very important to measurement in social impact investments and we will work with proponents in co-development to ensure that the appropriate data for the proposal is available. We work with different government agencies and jurisdictions with the collection of data. Further, the shift in focus to outcomes measurement is moving the government to a more consistent measurement and evaluation of human services outcomes and activities.



### **If philanthropic funding is involved, would it be from one investor or a pool of funds?**

There is a range of complementary funding models and approaches such as philanthropy. OSII is not prescriptive on this model, as long as the NSW Government payments are linked to the achievement of outcomes. Philanthropy could therefore be from one individual/organisation or a pool of funds.

### **How would organisations connect to philanthropy funding or other investors?**

Part of the submission requires the applicant to state whether they consent to OSII providing the proposal to Philanthropy Australia, where potential funding/partnership opportunities may be explored. This is for both unsuccessful applicants and those that proceed to co-development.

OSII also has a list of intermediaries on our website that we can provide a connection point to. Intermediaries can help develop ideas and business cases, build investment readiness and capability, attract and broker investment and or may provide finance themselves. The NSW Government does not endorse or recommend any intermediaries listed on the website.

### **What does additionality mean?**

Additionality means that the service addresses an unmet need or targets those not currently accessing services. This ensures that the outcomes delivered by a service can be attributed to your specific program and not another service or program operating for that cohort and in that particular area. Proposals should clearly articulate additionality above existing services, and NSW Government business as usual. Proposals can outline how they plan to partner with existing local services to maximise effectiveness and minimise duplication.

### **How do you define an outcome?**

Outcomes are the changes that occur for individuals, groups, families, organisations, systems, or communities during or after an intervention. Changes can include attitudes, values, behaviours or conditions. Changes can be short term, intermediate or long term. These differ to outputs which are the direct and measurable products of an intervention's activities and services, often expressed in terms of volume or units delivered. The Human Services Outcomes Framework (HSOF) developed by the Social Innovation Council in consultation with NGOs and the NSW Government agencies might provide a useful guidance in defining outcomes for a SII Evolve or Aboriginal economic development proposal.