

This presentation was delivered at
Impact Investing: Social and
financial innovation in for-purpose
organisations on 15 July 2015.

Social Impact Investment in NSW



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Office of
Social Impact Investment

This session

- ▶ **Why NSW is pursuing impact investing**
- ▶ **The social benefit bond pilot**
- ▶ **Social Impact Investment Policy**

An idea whose time has come...



...that incentivises different ways of working

Potential to...

- ▶ Deliver better services
- ▶ Build strong and effective partnerships
- ▶ Achieve better value for NSW taxpayers

by...

- ▶ Quantifying and measuring outcomes
- ▶ Co-designing and nurturing innovation
- ▶ Sharing risks and benefits of service delivery

NSW launched a pilot for bonds in 2011-12

Aims of social benefit bond pilot:

- ▶ Increase funding for prevention and early intervention
- ▶ Improve accountability for social service funding
- ▶ Catalyse the social finance sector
- ▶ Harness the innovation capacity of service providers and investors
- ▶ Improve the evidence base for social services

Development took an average of 12 months...

February 2011

Feasibility study completed

November 2011

RFP for 2 social benefit bonds

March 2012

Successful proponents and joint development phase announced

March 2013

UnitingCare Burnside signs a contract to deliver Newpin

August 2013

The Benevolent Society signs a contract to deliver the Resilient Families Service

...partly because of their bespoke nature

Newpin bond:

- ▶ \$7 million over 7 years
- ▶ 700+ families
- ▶ KPI on restoration rate of children who enter the program
- ▶ One class of investors with returns paid annually (target: 10-12% pa)

The Benevolent Society bond:

- ▶ \$10 million over 5 years
- ▶ Up to 400 families
- ▶ 3 KPIs on interactions with the child protection system
- ▶ Two classes of investors with returns paid at the end of the bond and dependent on performance and investment class

We've learned a lot and are still learning

Lessons from joint development:

1. Services should be evidence-based and interrogated early
2. Empowered decision makers need to be at the negotiating table
3. A robust measurement framework takes time but is critical
4. Service providers face a different type of accountability
5. Invest in relationships as much as the financial structure and service model

Lessons from implementation:

1. Refined data capture to improve accuracy in reporting:
 - a. Dedicated data tool for the Resilient Families Service
 - b. UnitingCare applying performance framework to other programs
2. Flexibility to adapt and improve services:
 - a. Newpin is now more therapeutic and targets higher risk families
3. Operations manuals clarify responsibilities and processes
4. Greater cooperation and collaboration between government and service providers is required

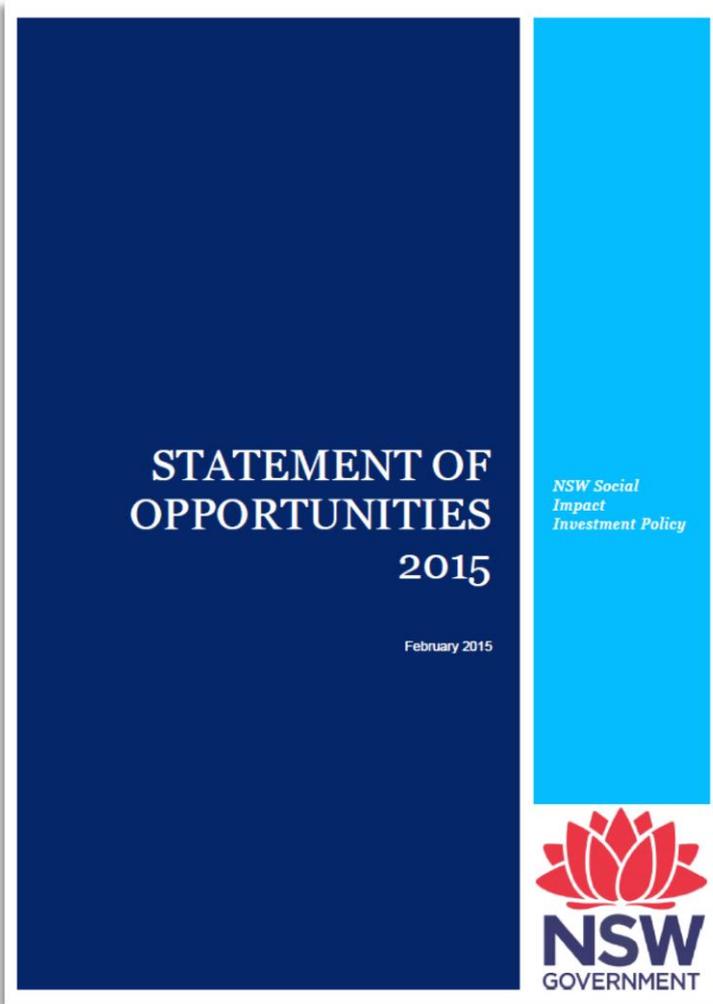
Policy was launched on 4 February 2015



10 actions to...

- ▶ Deliver more impact investment transactions
- ▶ Grow the market and remove barriers
- ▶ Build the capacity of market participants

A key action is to deliver more transactions



- 1 Managing chronic health conditions
- 2 Supporting offenders on parole to reduce re-offending
- 3 Managing mental health hospitalisations
- 4 Preventing or reducing youth homelessness



A process we've begun for 2015

Feb – March

June

June – July



Future transactions to involve more than bonds

Impact investing aims for social and financial returns through:

- ✓ **Outcomes**
Measuring and paying on outcomes
- ✓ **Innovation**
Setting incentives and removing input controls on services
- ✓ **Prevention**
Shifting spend away from high cost acute services to prevention
- ✓ **Partnerships**
Sharing risks and benefits across government and non-government sectors

Examples:

Outcomes-focused grants

- ▶ NZ Lottery Grants

Payment by results

- ▶ UK's National Health Service (NHS)

Social benefit bonds

- ▶ Newpin

Layered investments

- ▶ Goodstart Early Learning
- ▶ NSW \$1 billion social and affordable housing fund

Proposals will be evaluated against set criteria...

Evaluation criteria for proposals:

- ▶ demonstrates social impact (PASS / FAIL)
- ▶ robust measurement
- ▶ value for money
- ▶ likely to achieve outcomes
- ▶ sharing of financial risk and return

...and proceed when benefits outweigh costs

Nature of benefits	cash saving	avoided costs	productivity gains	other
The beneficiaries	a single govt agency	multiple govt agencies	other govts	individuals & communities
Timing of benefits	immediately	months	years	decades



Data & measurement are important enablers

Internationally...



IMPACT REPORTING &
INVESTMENT STANDARDS



The **SROI** Network
Accounting for Value

We are also...

- ▶ preparing guidance on social outcomes and measurement techniques
- ▶ making more government data available through a unit cost database (in development)



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So, too, is capability building

EXPERT ADVICE EXCHANGE

ALLEN & OVERY
MAYWEATHERS

Commonwealth Bank

NSW GOVERNMENT | The Treasury

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MALLESONS
金杜律师事务所

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WESTGARTH
lawyers

NORTON ROSE FULBRIGHT

westpac

ashurst

pwc

K&L GATES

Deloitte.

EY
Building a better
working world

prolegis
lawyers

Partnerships and collaboration are key



Intergovernmental network
on social impact investment



NSW Expert Advisory Group
on Social Impact Investment



More information

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