



Social Impact Investment

**Increasing permanency for
children in out of home care**

Market sounding session | 14 July 2016

Today...

1. Welcome

2. Permanency and open adoption

3. What is social impact investment?

4. Proposals and development process

5. Afternoon tea and networking

6. Workshop



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Permanency for children in out of home care is a priority

Evidence suggests adopted children achieve better outcomes than those who remain in long term foster care or in residential care

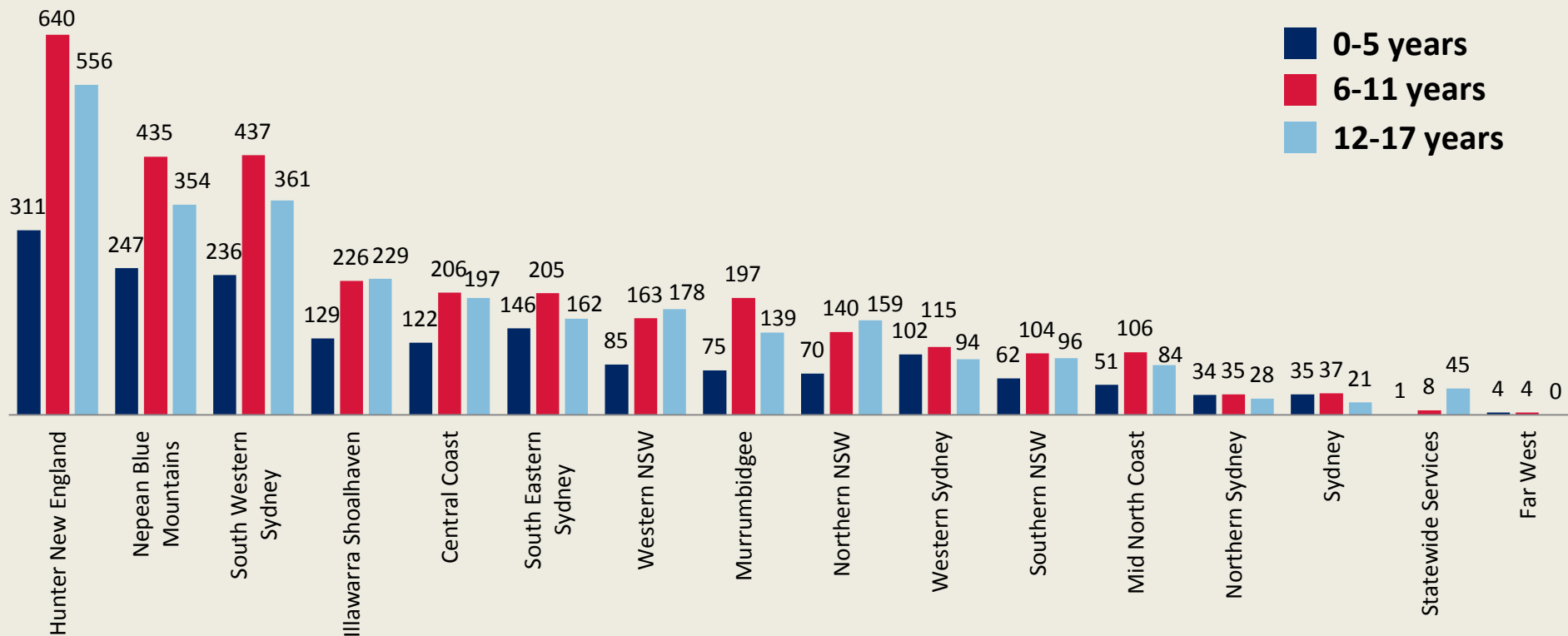
However:

- the number of children adopted from out of home care in NSW and across Australia is small
- the adoption process is often lengthy and complicated



A snapshot of children in care

Non-Aboriginal children and young people in statutory care, as at 30 June 2016



Key facts

8%

proportion of the total out of home care population that could be suitable for open adoption

1/3 of these children are aged under 5 years

2,188

non-Aboriginal children enter care each year, on average

OVER

50% of these children are aged 0-5 years

11% average annual increase in entries to care for children aged 0-5 years

Key facts (cont.)

65

adoption orders were made in NSW in 2015-16*

4-5
YEARS

length of average adoption process

12.9
YEARS

average length of stay in out of home care in NSW

1 in 3

children & young people in care experience more than 3 placements

**\$30-
45k**

average annual cost of out of home care, depending on type of care and provider

Recent developments & upcoming changes

Recent efforts to support adoption practice

- ➡ OOHC Transition
- ➡ October 2014 Legislative amendments
- ➡ Ministerial Open Adoption Forum
- ➡ Adoption Practice Innovation Forums
- ➡ Journeys to Permanency Through Out of Home Care Adoption
- ➡ FACS Open Adoption in Out of Home Care Research Initiative
- ➡ Adoptions Transformation Program
- ➡ Adoptions Taskforce
- ➡ Independent Expert Review of Out of Home Care in NSW

What are we looking for?

Key goal

- Increase security, stability and wellbeing for children in care

Specific outcomes

- Permanent placement for children
- Improved education and health outcomes
- A transparent, timely adoption process

Broader social and wellbeing outcomes for children

- Increased capacity to form relationships with adoptive families and friends
- Enhanced intellectual development
- Improved social adjustment

Possible measures

Outcome measures could include:

- Increased number of open adoptions for children in care
- Reduced number of placements for children in care
- Reduced average time between entering care and permanent placement



Principles for effective interventions

Arrangements
are made in a
timely manner

Skilled and timely
assessments of
the child

Plans are
outlined from the
outset

Child maintains
contact with their
parents, siblings
and other family

Tailored plan for
every child

Robust
monitoring tools

Adequate
understanding to
progress an open
adoption

Post-adoption
services and
support

In summary

- Opportunity to deliver outcomes for a very vulnerable group
- Importance of age at placement
- Achieve life-long benefits for the children and their families
- Deliver savings to the child protection system

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What is social impact investment?

Social impact investment seeks to achieve social and financial returns through:



Outcomes

Measuring and paying for outcomes



Innovation

Setting incentives and removing input controls on services



Partnerships

Sharing risks and benefits across sectors



Investment

Shifting spend away from high cost acute services to prevention

Social impact investments can take different forms

Social impact investment includes but is not limited to:

Payment by results (PBR) contracts

A service provider is paid for the results they achieve. Social benefit bonds are special type of PBR contract

Social benefit bonds

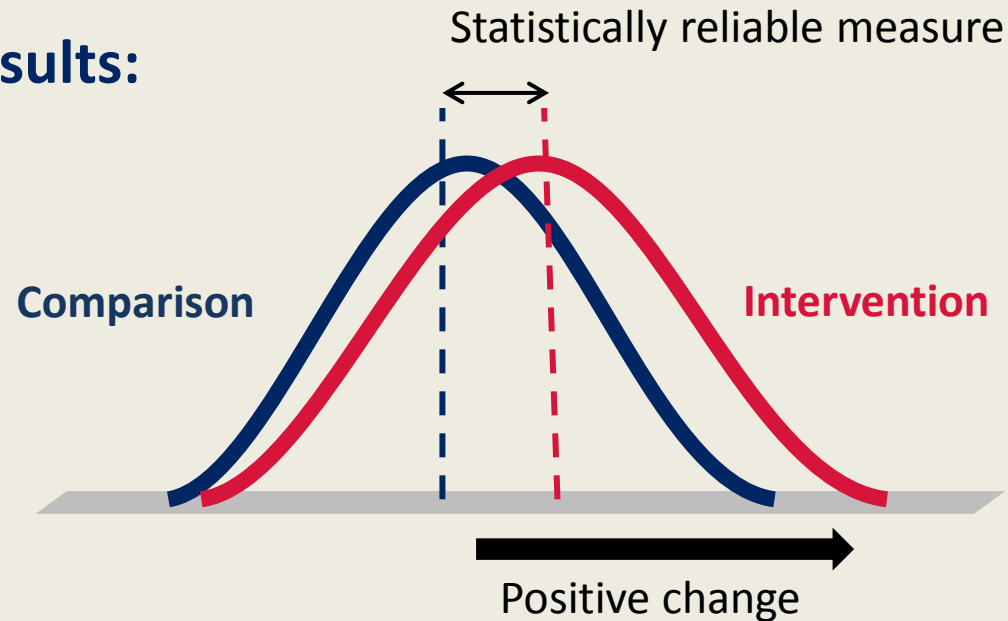
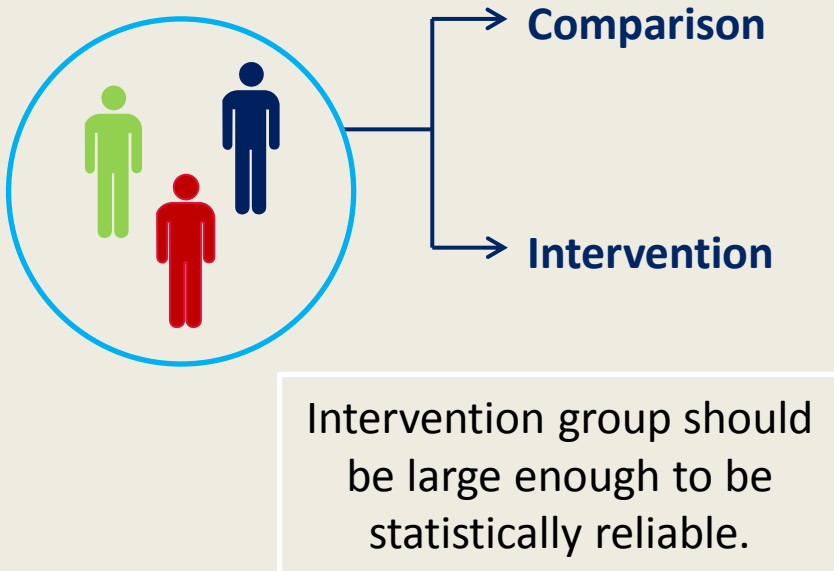
A financial instrument that pays a return based on achieving agreed social outcomes

Layered and pooled investments

Brings together different types of capital, sometimes in non-traditional ways that disrupt the usual risk-return equation

Payment by results is a key element

Understanding payment by results:



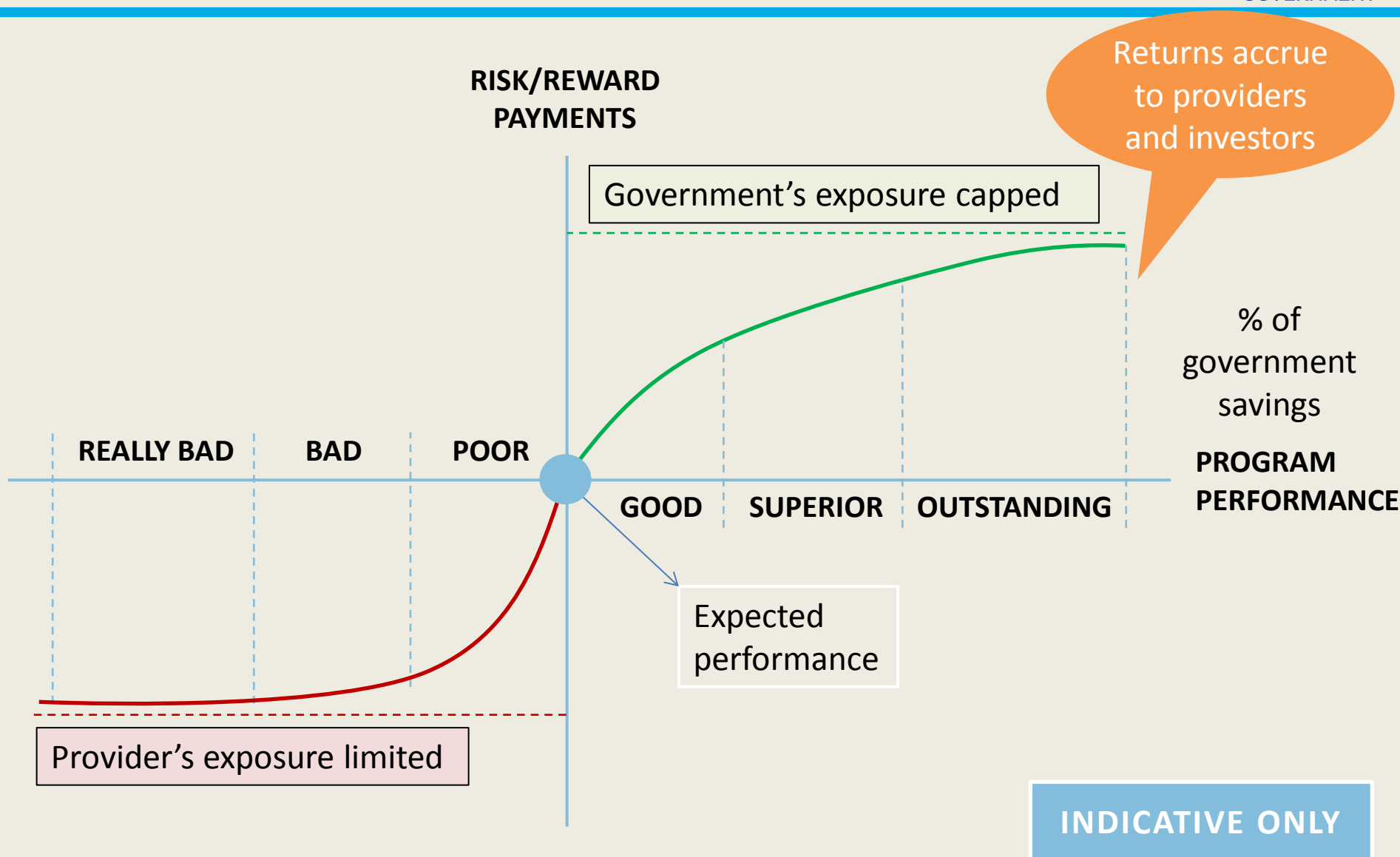
12 month
KPI measure

24 month
KPI measure

50-75 months
(end of term)
KPI measure

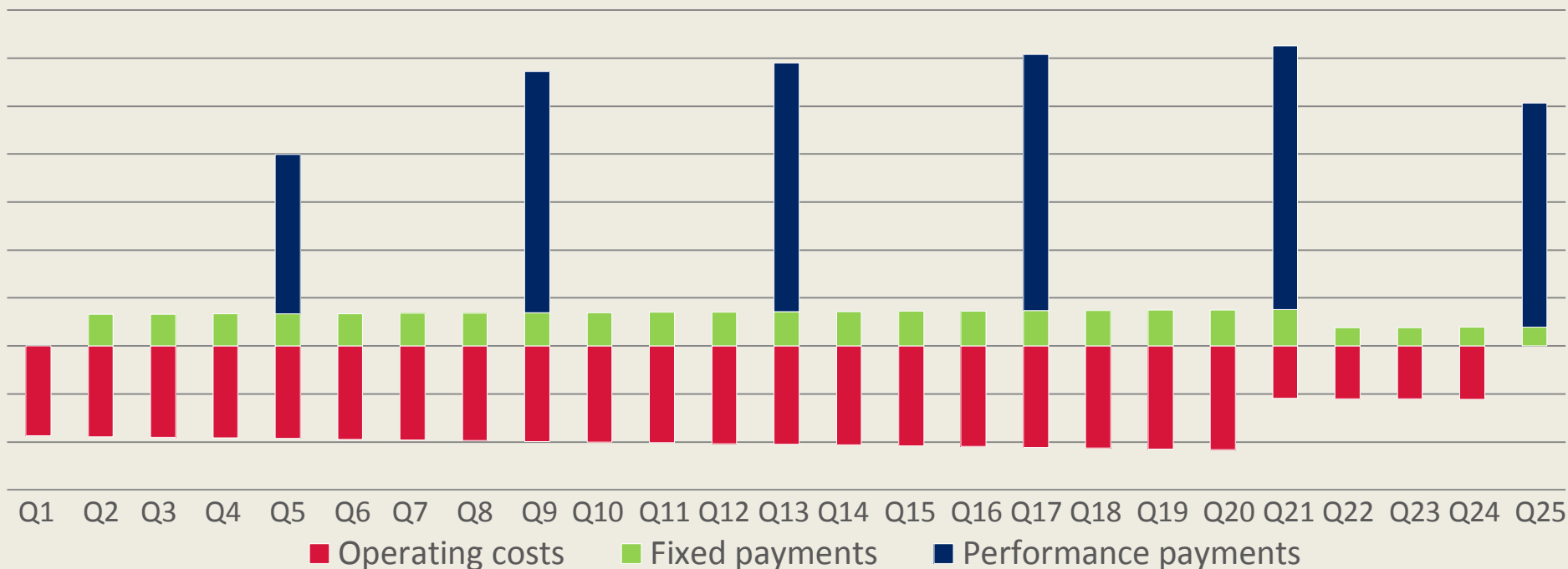
Performance payments linked to measurement
of comparison and treatment group outcomes

Payments are linked to performance



Provider's cash flows

Cash flow



What are my costs?

- Staffing – caseworkers, counsellors, etc.
- Overheads and on-costs

How do I get financing to cover the deficit?

- Bond
- Bank loan
- Bank overdraft
- Equity parent

How do I service this debt?

- Fixed and/or variable government payments

INDICATIVE ONLY

Social impact investments in NSW

Market sounding

Increasing permanency
for children in out of
home care

Increasing access to
early childhood
education

Addressing youth
unemployment

In development

Supporting vulnerable
young people to
transition to
independence

Managing chronic
health conditions

Managing mental
health hospitalisations

Being implemented

Newpin social benefit
bond

The Benevolent Society
social benefit bond

On TRACC social impact
investment

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How are proposals evaluated?

Proposals are assessed against 5 criteria:

1. Demonstrates social impact

- Delivers measurable benefits to individuals or communities

2. Robust measurement

- Clear and reliable outcome measures
- A well defined client group
- Robust methods to determine performance

3. Value for money

- Benefits are linked to government savings, productivity and /or avoided costs that can support payments in the transaction

4. Likely to achieve social outcomes

- Program logic and evidence base
- Provider capability and capacity to deliver

5. Sharing of risks and returns

- Balance between investors, service providers and government in different performance scenarios

What are we looking for?



Maximising your overall score

- Respond to all evaluation criteria
- Clearly and fully describe the proposed service and target client group
- Indicate a preferred position, if outlining options in your proposal



Evidence & innovation

- Summarise evidence of service effectiveness and cite sources
- Include a program logic
- Innovation is broader than 'brand new and untested'

What are we looking for?

Sharing financial risk & return



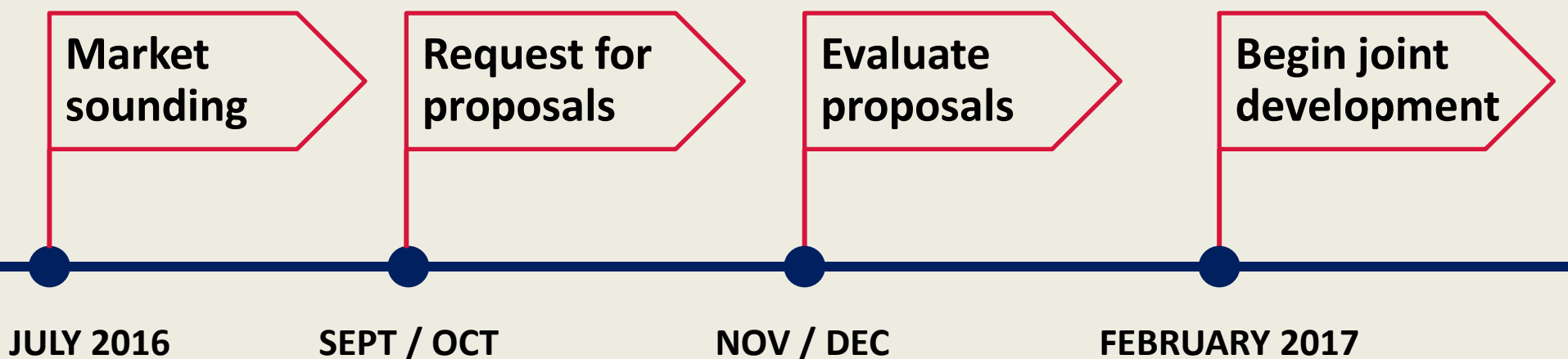
- Government prefers to take no more than 50% financial risk
- Outline financial costs and benefits to each party in various performance scenarios
- Describe how financial benefits will be shared

Financial modelling



- Annual cash inflows and outflows for all parties for contract period
- Savings expected to accrue to government beyond contract period
- Preferred frequency of payments
- Model different performance scenarios
- Specify assumptions

Timeframe



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Useful reading

- ➔ 2016 Statement of Opportunities
- ➔ Principles for social impact investment proposals to the NSW Government
- ➔ Technical Guide: Outcomes measurement for social impact investment proposals to the NSW Government
- ➔ Previous RFPs and Lessons from 2015 RFPs
- ➔ Sample joint development agreement
- ➔ OSII Assist



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How the workshop will work

Each table is assigned a question to discuss and report back to the group:

- 1 What are the barriers to open adoption for children in out of home care?
- 2 Will investments lead to competition or collaboration between service providers in this area? How can we ensure our efforts benefit children?
- 3 What sector capability and capacity issues should be considered? How can they be overcome?
- 4 What data is required to develop proposals? How might we be able to measure outcomes for any investment?
- 5 Are we focused on the right outcomes and cohort? What else could be considered?



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Social Impact Investment