



Social Impact Investment

Market Sounding:

Reducing re-offending

20 February 2015



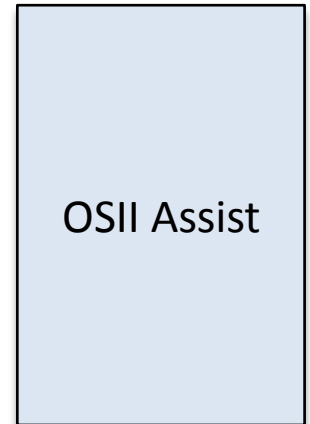
Agenda

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|----------------------|---|
| 9:30 – 9:45 | Welcome and overview of the Social Impact Investment Policy
Danny Graham |
| 9:45 – 10:10 | Reducing re-offending among parolees
Peter Severin, Corrective Services NSW |
| 10:10 – 10:30 | Proposals, process and timeframes
Kirrin Winning and Jeremy Harris, Office of Social Impact Investment |
| 10:30 – 11:00 | Morning tea and networking |
| 11:00 – 12:00 | Questions and discussion
Danny Graham |

Purpose of this session

- Provide information to the market on the policy area of recidivism to help preparations for a formal Request for Proposals (RFP) in April.
- Brief the market on the requirements, process and timeframes of the RFP.
- Receive constructive feedback and suggestions to understand how we can support the market to respond.

Useful reading:



Reducing re-offending and re-incarceration among supervised parolees

Reducing re-offending

- The NSW Government is committed to reducing re-offending and enhancing community safety.
- Social impact investments already established overseas:
 - Peterborough Social Impact Bond, UK
 - Rikers Island, New York.
- We are seeking innovative proposals that will contribute to existing work to reduce re-offending and re-incarceration.

Intended outcomes

Key goal:

- increase intervention to reduce the rate of re-offending and return to custody.

Additional outcomes:

- increased time to re-offend amongst parolees
- reduced severity of re-offence.
- safer communities.

Potential measures:

- return to custody
- period of measurement and other details are negotiable.

Possible savings to the government

	Cost (\$)
Direct daily cost incarceration	\$19 / inmate / day (\$189 / inmate / day)
Court costs for finalisation (resulting in incarceration)	\$1,202
Police costs per court finalisation	\$2,696

All costs are subject to confirmation

Potential cohort

- Higher-risk parolees are released to supervision by Community Corrections.
- Approximately 2,200 **medium-high/high risk** parolees are released annually.
- Approximately 2,250 **medium-risk** parolees are released annually.
- Released to locations across NSW, but the majority are released to the Sydney metro, Hunter and Illawarra areas (see Table 2 in handout).
- Referral by Community Corrections as a component of a case plan to reduce re-offending (mandated participation).
- Aboriginal offenders are proportionately over-represented in higher risk groups.

Re-offending and risk

Risk of re-offending is predicted by the LSI-R assessment. For example, medium risk males re-offend at a rate of 31% whereas high risk offenders re-offend at a rate of about 59%.

LSI-R Risk Level	Males % Re-offend	Females % Re-offend
Low	10.2	6.8
Low-Medium	19.2	15.8
Medium	31.2	25.2
Medium-High	44.5	40.6
High	59.2	43.8

Principles for effective intervention

The Risk Principle:

- Target those at higher risk of offending since they have the most to gain from successful intervention.

The Need Principle:

- Target those needs which are directly related to further offending.

The Responsivity Principle:

- Maximise the offender's ability to learn by tailoring the intervention to their learning style, motivation, abilities and strengths.
- Key responsivity factors:
 - housing (homeless or unstable accommodation)
 - mental health.

Duration of intervention

Things to consider:

- Duration of intervention is limited by parole terms (see p.11 of handout).
- Most SPA releases are ≥ 12 months.
- Most court-based releases are also ≥ 12 months but greater range – some considerably shorter.
- First 3 months post-release is time of highest return to custody.
- 3 – 6 months return rate declines then flattens considerably.
- Higher risk parolees return faster than lower risk.

Investment opportunities

Identified gaps in current service provision:

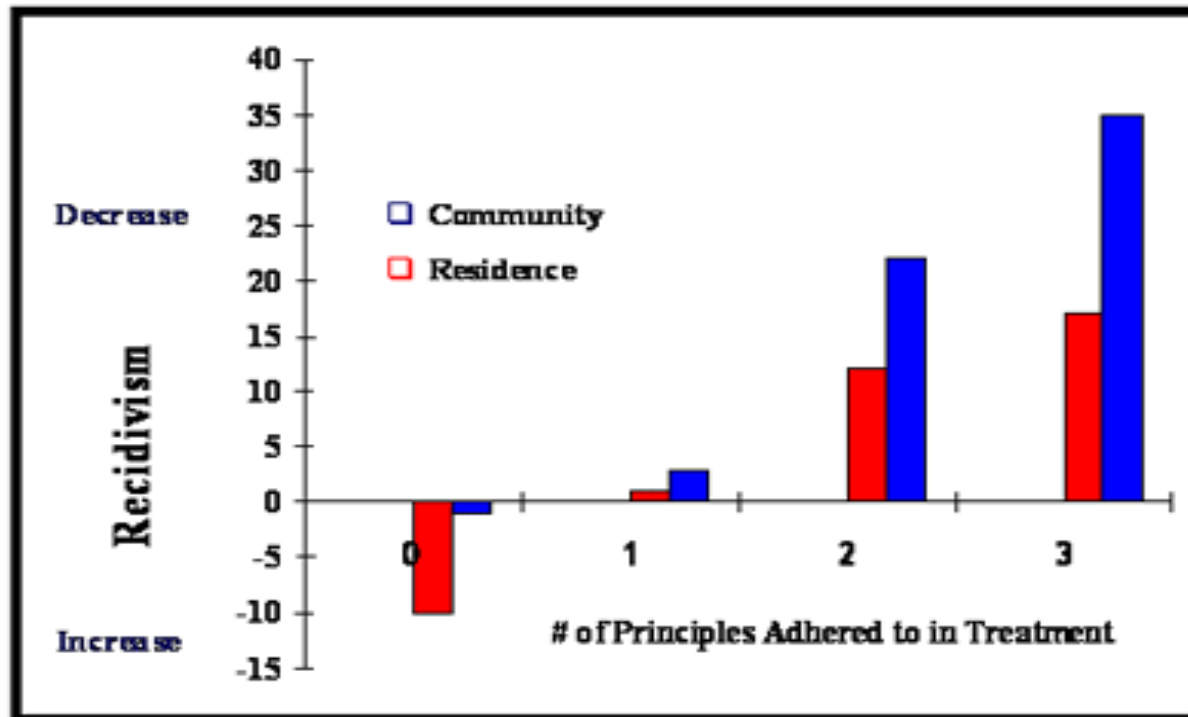
- support for parolees
- delivery of cognitive behavioural programs.

Business as usual – Community Corrections

- Risk assessment – LSI-R
- Case management to address offence-related needs:
 - referral to CSNSW standardised and accredited cognitive-behavioural programs
 - referral to government and non-government services to address offence-related needs and responsivity factors
 - monitoring of compliance with conditions of legal orders and direction of a Community Corrections Officer.
- However, limited services in some locations represent a gap in service provision.

Effect size

The most effective interventions are based on the three principles of risk, need and responsivity. Interventions are most effective in the community. Programs that do not apply any of the principles of effective intervention can have deleterious effects.



Working with Community Corrections

- Supervision by Community Corrections is effective in reducing re-offending.
- Supervised parolees are significantly less likely to re-offend and take longer to re-offend based on propensity matched study.
- Government is seeking innovative proposals which will build on existing service provision to “boost” the reduction in re-offending.

Mandated participation

- Parolees will be mandated to the intervention by Community Corrections.
- Attendance and participation will be monitored.
- No evidence that mandated participation results in different outcomes, compared to those who volunteer.
- Those mandated 10+ times more likely to complete.
- Some evidence of enhanced outcomes for mandated participants.

In summary

Key messages:

- Intervention should be evidence-based.
- Strategy or “vehicle” by which intervention is delivered can be unique and therefore untested.
- Innovation and creativity welcomed!

Proposals, process and timeframes

Principles for social impact investment proposals

Proposals will have the greatest chance of success when they demonstrate:

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

We're seeking feedback on the **Principles for Social Impact Investment Proposals to the NSW Government**. Send your comments to socialimpactinvestment@dpc.nsw.gov.au by 29 March 2015.



1. Robust measurement

Methods for selecting clients and measuring outcomes are rigorous, supported by reliable data, and designed to minimise adverse outcomes.

Essential elements of measurement framework:

- clear and reliable outcome measures
- a well-defined client group
- a robust methodology for determining performance.

2. Value for money

Achieving the social outcome will deliver measurable benefits, which are sufficient to support payments to investors. Where benefits cannot directly fund investor payments, the proposal must clearly demonstrate value for money relative to public delivery of services.

The nature of the benefit	cash savings	avoided costs	productivity gains	other
The beneficiaries	a single govt agency	multiple govt agencies	other govts	individuals & communities
The timing of benefits	immediately	months	years	decades

Increasing complexity of transaction

3. A service likely to achieve social outcomes

Evidence or analysis indicates that the proposed service is highly likely to achieve social outcomes. The service provider has the capabilities to implement and, if necessary, adapt the service.

Proposals should demonstrate:

- evidence of service performance, locally or abroad
or
- if unproven, the link between the activities and the outcomes of the service (i.e. program logic)
- ability to deliver and adapt the service.

OUTCOMES VS OUTPUTS

“Not how many worms the bird feeds its young, but how well the fledgling flies.”

United Way of America, 1999



4. Appropriate sharing of risks and returns

The balance of sharing risks and returns between investors, service providers and government is sufficient to attract investors, as well as ensure value for money to the public.

Proposals should outline:

- the risk-return profile for each participant
- the level of return to investors under different performance scenarios
- how the proposed risk-return profile compares to similar products in the market

The higher the risk, the higher the potential return is a good rule of thumb for private investors.

The government will consider providing a standing charge to create a more attractive risk profile for investors – up to 50% of the service delivery costs.

5. A focus on high priority social problems

The service delivery area is one in which the government is seeking to address a major problem and is likely to be supported by investors.

Things to consider:

- prevention and early intervention services
- addressing unmet needs or targeting those not accessing government services
- opportunities for scale or growth over time
- periodic Statements of Opportunity that identify the government's policy priorities for social impact investment.

Capabilities and capacities needed

- Legal structure for the proposed transaction
- Business case development
- Financial modelling, including cash flows
- Identify costs & benefits
- Service design (key features)

Prepare proposal

- Contract negotiation
- Project management
- Relationship management
- Risk management
- Data modelling & analysis
- Decision making approval

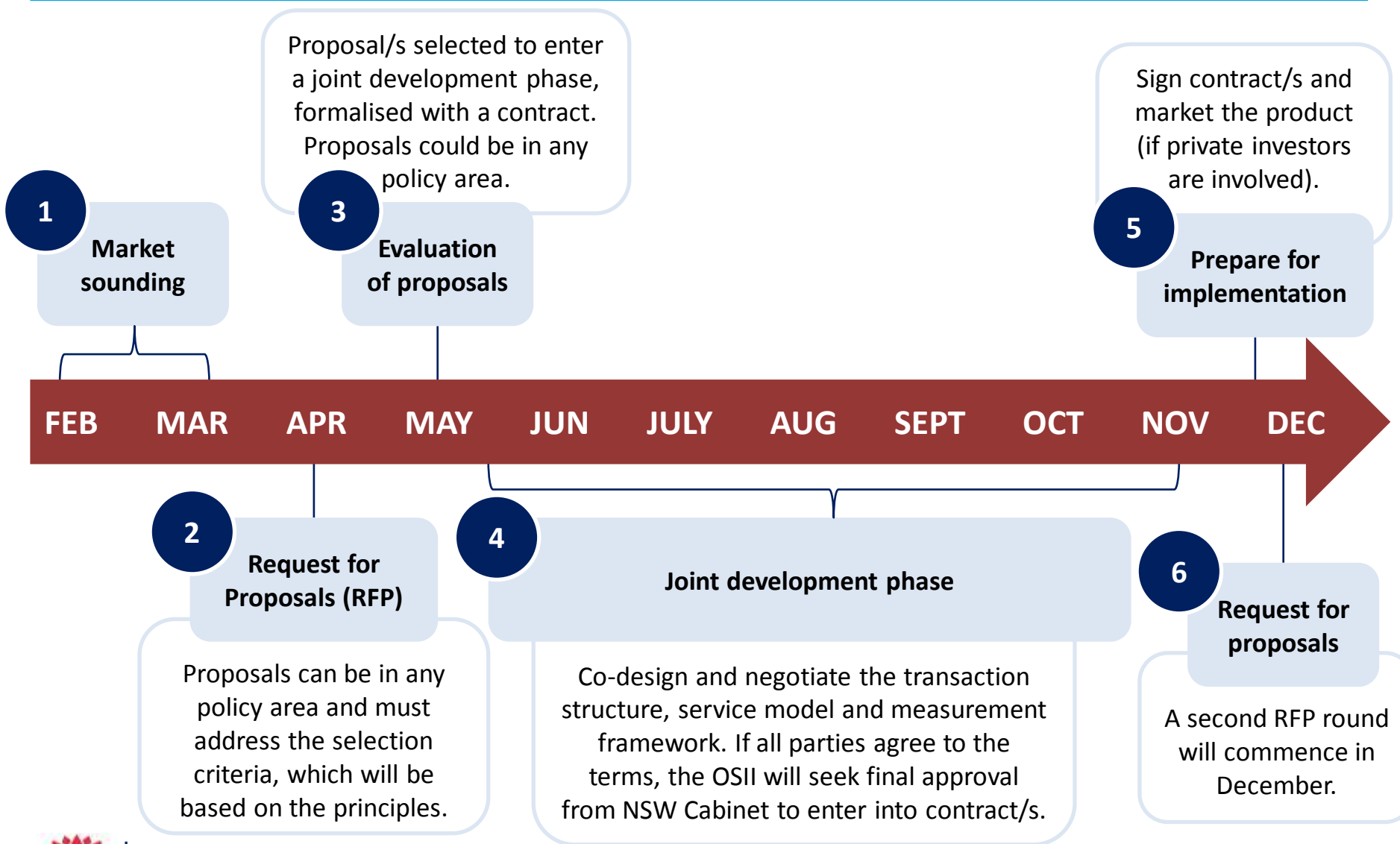
Develop transaction

Deliver the service

- Frontline service delivery
- Contract management
- Relationship management
- Data collection
- Continuous improvement
- Appropriate operating systems and governance

Partnerships with other providers or specialist organisations can help fill skill gaps

Process and timeframes for 2015



Implementation considerations

Choosing a product

- Proposals for social benefit bonds will need to adhere to the principles to a high standard.
- Other models include payment-by-results, and joint or layered investments.
- Advice from an intermediary may be helpful.

Terms & payments

- The contract is with Corrective Services NSW.
- Terms will need to be agreed between the proponent, the government and investors (if any).
- Investor returns should reflect the length of the investment, and the regularity and size of payments.

Attracting investors

- Consider engaging an intermediary to help market the product.
- There are resources to help address concerns of different investors.

Collaboration

- Appropriate governance structures are critical, particularly if partnering with other providers.
- Operational processes will need to be established (e.g. referral pathways).
- Systems to collect and report on data will be needed.

Services are expected to begin in early 2016.



OSII Assist

We can:

- provide general information about social impact investing
- provide general information on NSW Government activity and priorities in social impact investing
- provide information on RFP processes, timing and requirements
- facilitate contact with other government agencies and market participants
- consider and facilitate information and data requests

We can't:

- develop and implement proposals for transactions outside a formal RFP process
- give detailed advice or feedback on proposals prior to or during a formal RFP process
- advocate or promote potential proponents or their proposals to other government agencies and market participants

Contact the OSII for all social impact investment enquiries:

- ☎ +61 2 9228 5333
- ✉ socialimpactinvestment@dpc.nsw.gov.au
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- t @NSWOSII



BREAK

Questions and discussion

How can we help?

Will any principles for proposals be challenging to meet? What kind of support is needed to overcome those challenges?

Are the likely selection criteria for proposals appropriate?

What barriers might prevent you from submitting a proposal? In what areas should we focus on building capacity?

Is there appetite for the Office to facilitate connections and partnerships?

What questions do you have for us?







Social Impact Investment Policy



Leading the way in delivering better
outcomes for the people of NSW.



Office of
Social Impact Investment

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