



Social Impact Investment

Addressing youth unemployment

Market sounding session | 21 July 2016

Today...

1. Welcome

2. What is social impact investment?

3. Addressing youth unemployment

4. Proposals and development process

5. Morning tea and networking

6. Workshop

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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

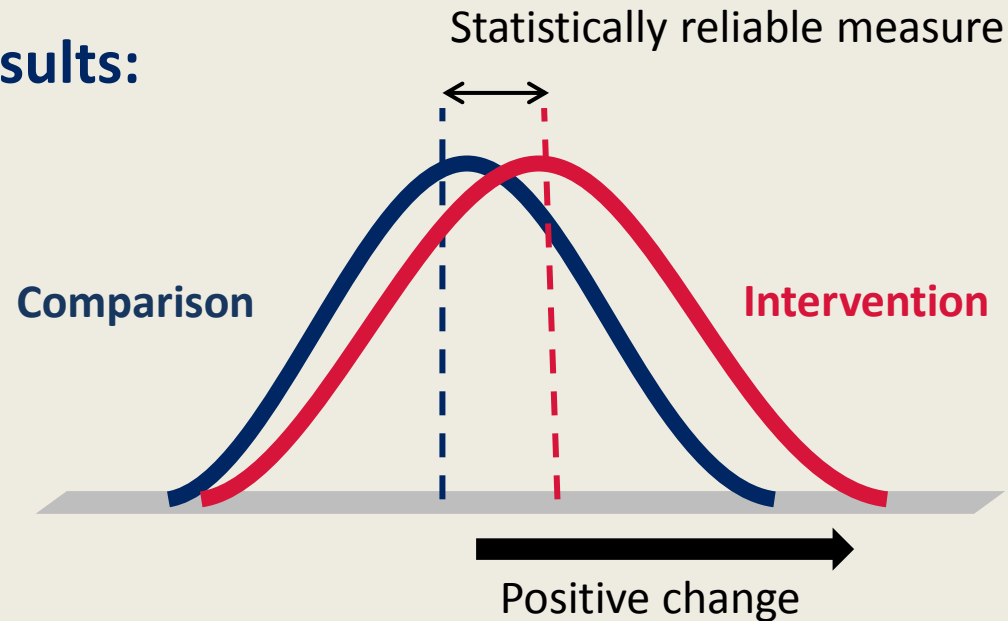
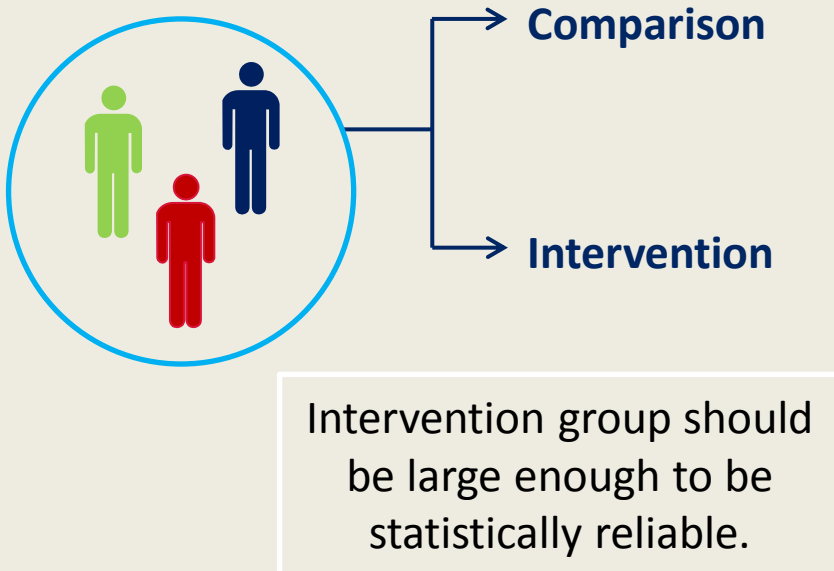
A financial instrument that pays a return based on achieving agreed social outcomes

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:



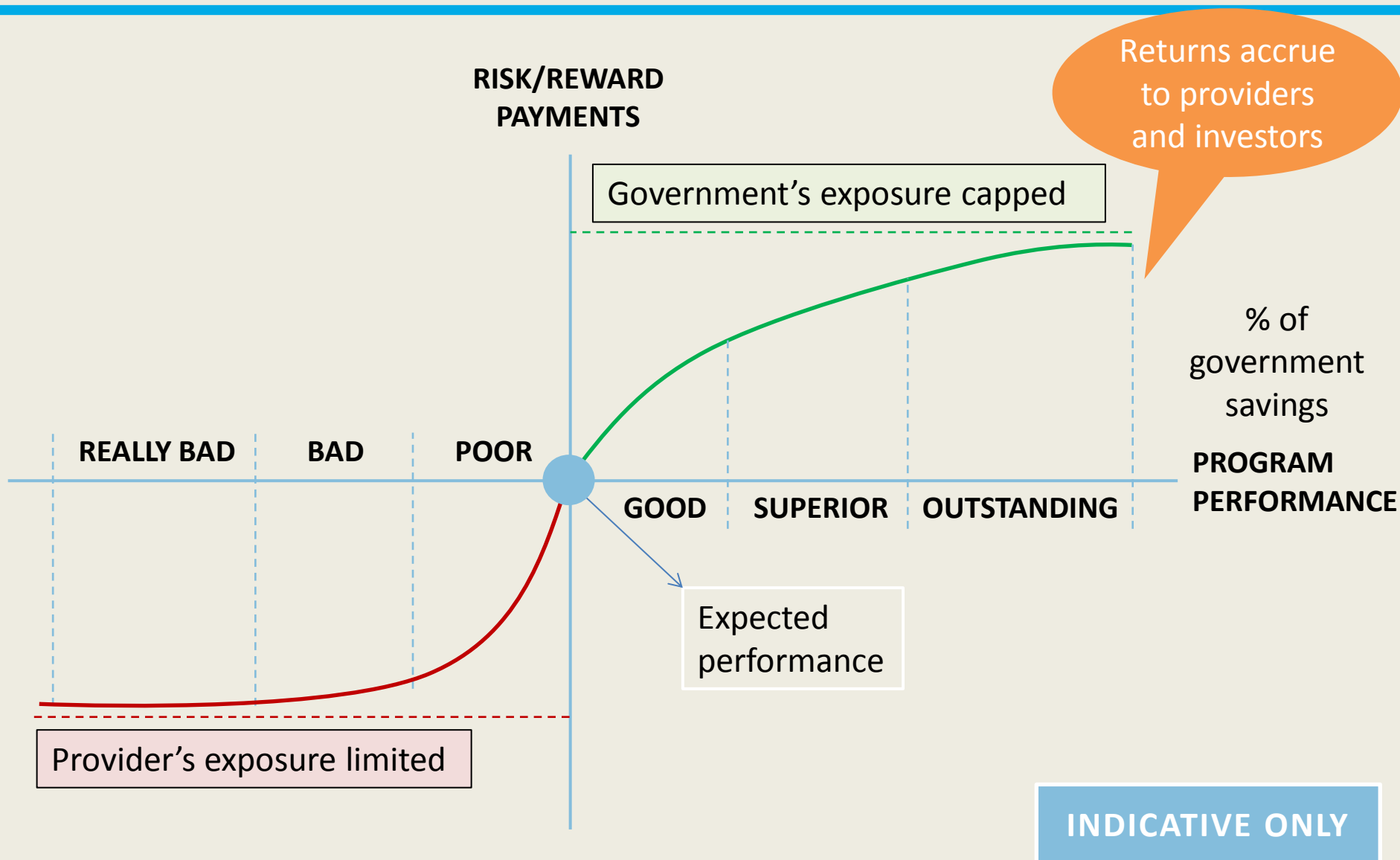
12 month
KPI measure

24 month
KPI measure

50-75 months
(end of term)
KPI measure

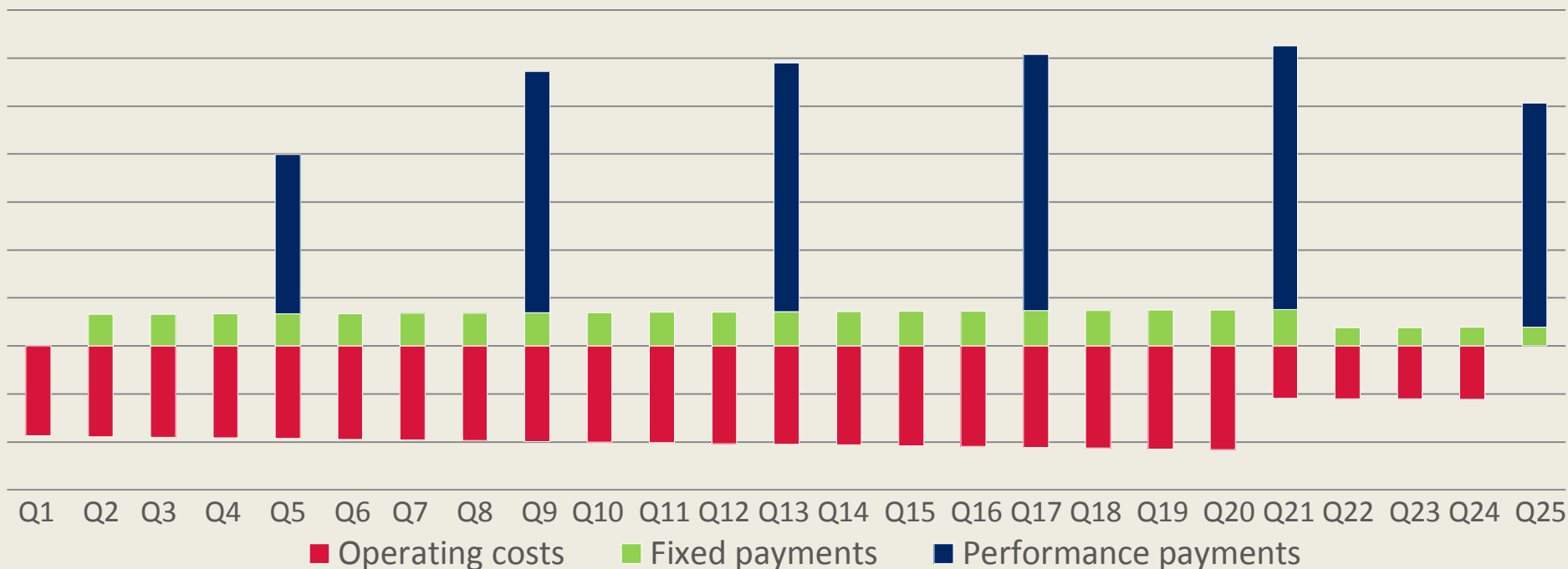
Performance payments linked to measurement
of comparison and treatment group outcomes

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

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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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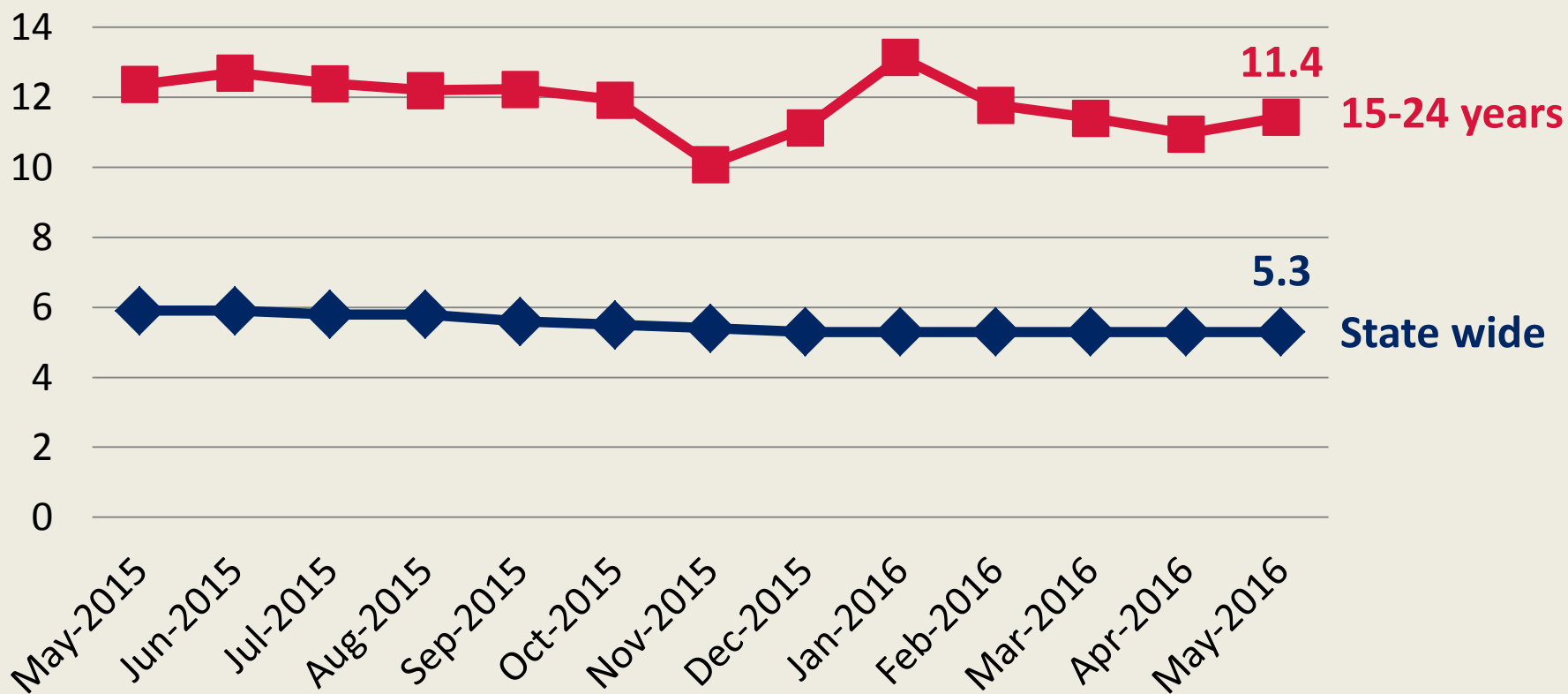
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Youth unemployment in NSW

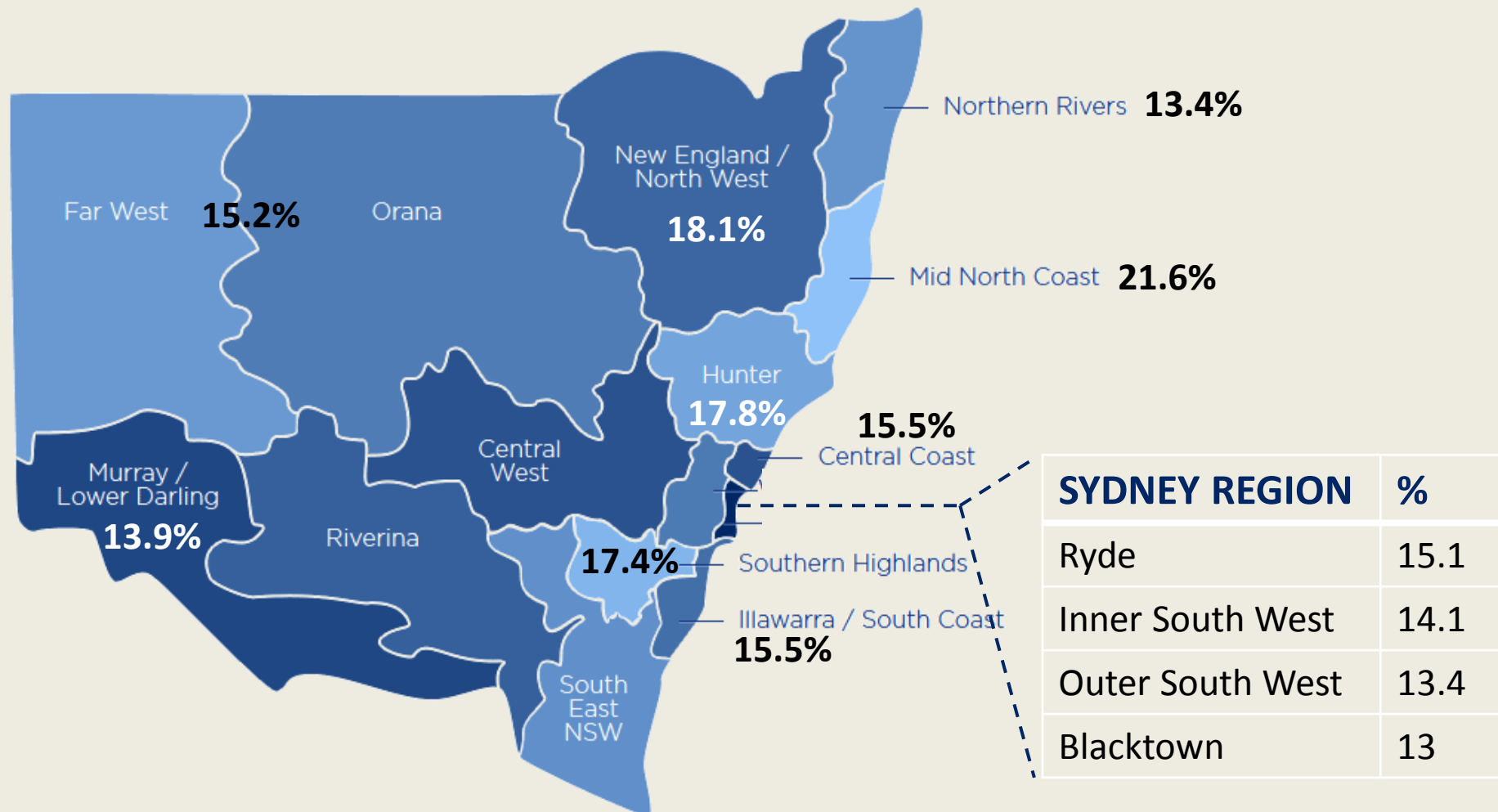
The youth unemployment rate is frequently double the state wide rate

NSW unemployment rate, May 2015 to May 2016



Youth unemployment in NSW

Some regions have particularly high youth unemployment rates



At risk cohorts

Some young people are more likely to experience unemployment and for longer periods than their peers



Disability

68% not studying or working part time (ABS, 2012)



Low socioeconomic status

Young people in social housing twice as likely to be out of work (PC, 2013)



Aboriginal

47.5% employed (PM&C, 2015)



Low educational attainment

4x less likely to successfully transition to full time work (Deloitte, 2012)



Caring responsibilities

2/3 not in the workforce or education were young women engaged in childcare or other home duties (NESA, 2014)



Contact with Justice system

1/3 studying and 12% in work (Juvenile Justice, 2014-15)

Creating job pathways for young people is a priority

Measures to support young people into education and employment featured strongly in the 2016-17 Budget

\$100m

over 2 years for Smart,
Skilled & Hired

\$55m

in 2016-17 for Future
Directions in Social Housing

\$10m

to support regions with high
youth unemployment through
social impact investment

**A focus of this
market sounding**

A boost for young people and businesses so they are better placed to take advantages of opportunities offered by the NSW economy

What?

Focus on:

- youth employment in four regions
- workforce and skills needs for the roll out of the National Disability Insurance Scheme (NDIS) in NSW
- building capacity in NSW's construction industry

When?

- \$100m over 2 years in the 2016-17 Budget
- Likely to go to market in the fourth quarter of 2016

Smart, Skilled & Hired (cont.)

Where?

Focus regions:

- Western Sydney
- North Coast
- New England/North West
- Central Coast/Hunter

Who?

Target cohort for the youth employment sub-program:

- young people aged 15-24 years at time of registration

Full eligibility criteria to be detailed in forthcoming procurement documentation (due in fourth quarter of 2016)

How?

Prime contractors in each region procure services under an outcomes-based contract, including:

- Finding and engaging participants
- Facilitating skill development through fee-free training
- Partnering with employers
- Supporting participants to stay in training and/or work

Employers as partners

- Genuine commitment to partner with participants and prime contractor
- Appropriate jobs
- Local to pilot areas
- Industries with growth potential

Future directions for social housing in NSW

The strategy will be implemented over the next 10 years to reform social housing by providing:



Future directions (cont.)

Outcomes sought

- Increase successful transitions out of social housing by 5%
- Increase the proportion of young people who successfully move from specialist homelessness services to long term accommodation by 10%
- Young people who have grown up in social housing will increasingly move into independent housing, using the education, skills and employment we help them acquire

A large, light olive-green downward-pointing triangle with a thin white border, positioned below the 'Outcomes sought' section.

Strategy

- Services to support tenants build their capabilities and take advantage of the economic opportunities in our strengthening economy

Key initiatives under the strategy

Employment focused initiatives for young people in social housing

Career Pathways

- A dedicated employment program for social housing clients to gain training and work experience in NDIS related employment
- Trialled in the Hunter with expansion planned to 4 additional sites in NSW
- Locations to be determined
- Rollout is linked to NDIS roll out in NSW
- \$1.2m funding

Specialised job service

- To assist all disadvantaged job seekers in social housing areas getting and keeping a job
- Pilot locations to be determined

Key initiatives (cont.)

Scholarships

- Provide eligible students with scholarship funds, mentoring and support, from Year 10 to completion of tertiary education (VET or uni) (max. 7 years)
- In 2017, 200 scholarships will be available in NSW, increasing by 200 scholarships per year for the next 4 years
- \$2.989m in funding over 4 years

Personal support plans

- A partnership between the client, the housing provider and an NGO to work towards agreed client determined goals
- NGO delivers case coordination and liaises between all of the partners
- Goals should contribute to increasing client's workforce participation and eventually to housing independence
- Pilot sites to be determined

Existing disability services

Employment focused initiatives in the disability sector

CareCareers

- Online recruitment and development hub for the disability sector
- Staffed call centre and advertising campaign
- Includes a disability induction program and a disability career planner

ProjectABLE

- Free, half day workshops for secondary and tertiary students on working in the disability sector
- Expanded nationally with Commonwealth support

Outcomes and measures

Key outcome

- Vulnerable young people are supported to transition to the workforce

Potential measures

- Youth unemployment rate/numbers
- Average time looking for work
- Year 12 completion and/or post-secondary or vocational qualifications

Consider initiatives that:

- Increase workforce participation among vulnerable unemployed young people
- Promote skill formation and development that matches industry demand
- Provide more support for young people without experience to get their first job
- Complement existing or planned efforts by the State or Commonwealth governments to support young people

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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



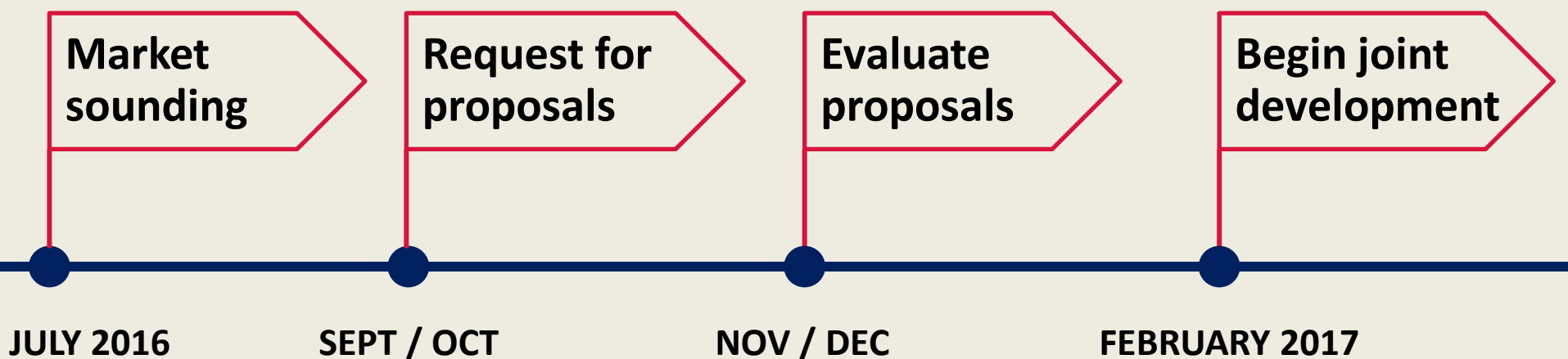
- Government prefers to take no more than 50% financial risk
- Outline financial costs and benefits to each party in various performance scenarios
- Describe how financial benefits will be shared

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 addressing youth unemployment?
- 2 Will investments lead to competition or collaboration among service providers? How can we ensure our efforts benefit young people?
- 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 What cohorts or locations offer opportunities for a social impact investment?



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Office of
Social Impact Investment