

Preventing or reducing homelessness among young people:

Wrap-up of market sounding session

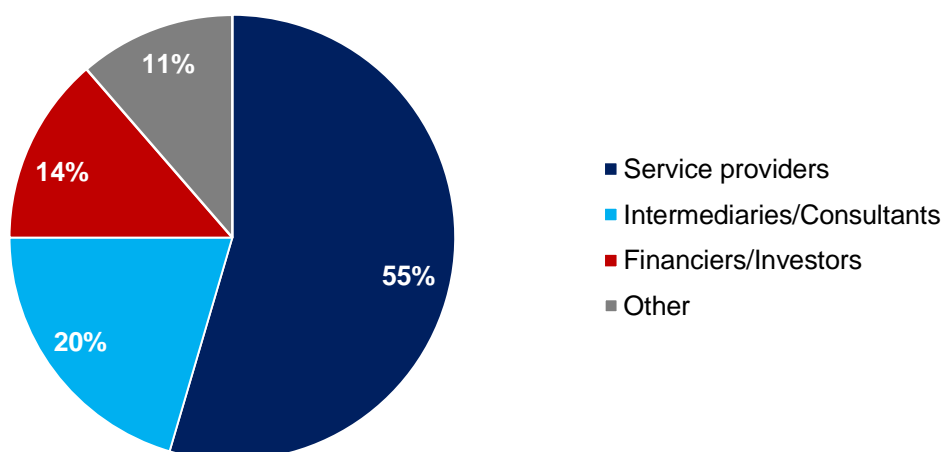
10.30am to 1pm

9 March 2015

Eora Meeting Room, Level 21, 52 Martin Place Sydney

Key statistics

- Of 64 RSVPs, 44 stakeholders attended.



Questions and answers

1. How much information are you looking for in proposals?

We are looking for high level proposals based on the *Principles for Social Impact Investment Proposals to the NSW Government*. There will be some details you may not be able to provide, for example, how referrals to the service will be managed. We will be able to work out these details further during the joint development phase (JDP).

The handout titled *Market Sounding: Preventing or Reducing Homelessness Among Young People* contains a number of points around cohorts. The data in the paper is an indication of the level of data available. Providing more disaggregated data at this stage is not easily done. However, the joint development phase may provide an opportunity to share more data on a confidential basis.

2. Can you provide an update on how the two out-of-home care bonds are going, and why the recidivism bond did not progress?

The Newpin Bond is performing well. In its first year, Newpin restored 28 children in out-of-home care to their families and prevented children in 10 at-risk families from entering care. This delivered a return of 7.5 per cent to investors.

Early indications are that The Benevolent Society Bond is performing well. Returns for this bond will be paid when the five year bond expires, subject to the performance of the program.

One aim of bonds is to provide value to investors, the community and the NSW Government. Unfortunately, despite the best efforts of the government, Mission Australia and Social Ventures Australia working together in good faith, no agreement on a model that satisfied this aim with an acceptable level of risk to all parties could be reached.

The decision not to proceed with the proposed recidivism bond was based on the challenges and risks of the proposed model in aggregate, including consideration of the evolving nature of the justice and corrective services policy environment.

The NSW Government appreciates the goodwill and efforts of Mission Australia and Social Ventures Australia in the development of the model. This experience can be leveraged in future social impact investment activities.

3. Is there a sense of how many proposals will go through to the joint development phase?

As outlined in our *Social Impact Investment Policy*, we have a target to deliver two new social impact investment transactions to market per year. We want to make sure that the proposals selected for joint development are likely to result in a transaction and that we can develop and deliver transactions in the timeframes outlined in our presentation.

Given this, it is likely that we will jointly develop one transaction at a time however the timing and quality of proposals will influence this.

4. At what point will you decide which priority area to focus on?

Feedback from the market sounding sessions will determine this and will be reviewed by our interagency Social Impact Investment Steering Committee. The Steering Committee will then decide which priority area or areas we focus on in the request for proposals (RFP) – that is, whether we go ahead with all four policy areas in the *Statement of Opportunities 2015*, just the one, or even another policy area identified from the open ideas market sounding session.

5. Homelessness presents unique challenges. Has there been much thought on savings across different departments, and what the success metrics will look like?

The principles paper contains a table titled '*Different benefits and how they contribute to the complexity of social impact investment transaction proposals*', which provides examples of potential savings across government departments.

With youth homelessness, while the contract will be with the Department of Family and Community Services, we understand that savings are likely to accrue across government departments and will include cross portfolio savings in financial models. However, as the Commonwealth government has not agreed to be involved in transactions at this stage we cannot include savings that accrue to them in the financial models.

6. Is there any particular weighting in relation to cost savings between programs versus future infrastructure investment that can be avoided?

While there is no specific rule for weighting different benefits according to how they accrue, the Principles paper does discuss this. We will be taking account of all elements but we understand that it is likely to be more complex to finalise a transaction that relies on savings associated with avoided infrastructure investment.

7. To what extent will there be enough pathways set up to demonstrate outcomes? How will we measure the pathway? How will we arrange the cash flow?

We are open to negotiation about the measurement framework including the outcomes measured and the timeframe over which measurement takes place. These elements will drive the cash flows in the arrangement. This is an opportunity for service providers to engage with us and shape transactions according to what works for them.

8. Will we create perverse incentives where only those that can afford to provide the service will take it forward? Furthermore, will there be perverse incentives in terms of those we end up helping?

We are aware of the risks associated with creating perverse incentives and we will be working to identify and address them in the joint development of proposals.

We have learnt a lot from the first social benefit bonds and can apply these learnings to further social impact investment activities, including the challenges we faced with 'cherry picking' clients.

9. In relation to perverse incentives/disincentives, how will we have a control group that is comparable to people in the program?

We proposed out-of-home care leavers as a potential cohort because this is a group that would enable us to have a comparison group. However, we would like to hear from the market whether we should be measuring against a comparison group, or not. We encourage you to come to us with your ideas about appropriate comparators for measurement frameworks.

10. How will you be testing the measurement frameworks?

We worked closely with the NSW Bureau of Crime Statistics and Research (BOCSAR) and other government evaluation experts during the development of the social benefit bonds. This engagement provided us with good advice on principles for a robust methodology for measuring outcomes. To test the measurement frameworks in future proposals, we would work with Family and Community Services' Analysis and Research (FACSAR) and key partners such as intermediaries and academics, if they are involved in a proposal.

11. We are talking about measurement but not the human being. I cannot imagine how a program can do good in this area (in relation to the financial metrics).

There are financial intermediaries that can work with service providers to address this. It is all about collaboration and working together, and focusing on outcomes for the individual.

We understand that homelessness is a very difficult and complex area. We are looking for a different arrangement to provide services, including a shift from outputs to outcomes for clients.

12. The complexity of youth homelessness is around housing, which has a different funding stream, and the support component, which is recurrently based. How do you put these together in an investment arrangement?

There are two parts to this. The first is the creation of affordable, quality accommodation. The second is the delivery of a service that improves outcomes for the individual. We understand that the asset side of things will be more complex in this area and are looking for innovative ideas on how to structure these transactions.

13. It seems to me that outcomes will not be achieved in the given timeframe of a transaction.

We are open to longer timeframes. There may be a need to target a specific investor willing to wait longer to achieve this goal. We are open to your ideas. We are not saying that homelessness is easy, but we do need to have robust measurement of outcomes in social impact investment transactions.

14. In terms of the JDP, what kind of relationship are you looking for with the group of organisations you work with?

We are looking for real collaboration with proponents and the right experts to guide us. This is a new way of working. We want to work with proponents to get the best outcomes for individuals.