

NSW Social Impact Investment

Much has been achieved in just over two years since the NSW Government launched the [Social Impact Investment Policy](#) and established the NSW Office of Social Impact Investment (OSII). In the spirit of partnership, learning, and continual improvement, this Statement of Progress reflects on our efforts over the last year. We also want to share our next steps to achieve more impact (both social and financial) and further expand the social impact investment market in NSW.

In total, five social impact investments have now been delivered in NSW, aiming to improve the lives of around 16,000 people. Together, they support outcomes-based contracts valued at approximately \$180 million.

Key achievements



Developed three new social impact investments. The On TRACC investment commenced in September 2016 and is focused on reducing reoffending among parolees leaving prison. The other two, Silver Chain and Resolve, will commence operations in 2017, in the respective areas of chronic health and mental health.



Released a third request for social impact investment proposals (RFP), with a focus on permanency for children in out-of-home care, early childhood education, and youth unemployment. Joint development of investments from this third RFP is expected to commence in May 2017.



Published the [Technical guide for outcomes measurement](#) and [Lessons from the 2015 requests for social impact investment proposals](#) to provide the market with more guidance and support in developing social impact investments.



Co-hosted the 'Investing for Good: Conference and Marketplace' event to help build the readiness of market participants and promote understanding of the social impact investment market.



Held three market sounding sessions attended by a wide range of service providers, intermediaries and potential investors, to seek feedback on priority areas for social impact investment and explain what we look for in proposals.



The Expert Advice Exchange (EAX) facilitated a further 810 hours of advice through 46 pairings of for-purpose organisations with 26 advisory firms.



Engaged with and supported other jurisdictions across Australia and internationally, on social impact investing – a testament to our leadership in this area and our world-class reputation.

Progress on 10 key policy actions

A. Deliver more social impact investments

1. Target delivery of two new social impact investments to market per year

We have developed three new social impact investments since our last Statement of Progress was released:

- **On TRACC:** Australia's first social impact investment to reduce reoffending and re-incarceration rates of parolees
- **Silver Chain:** to provide specialist palliative care for individuals with advanced, life-limiting health conditions
- **Resolve:** to improve outcomes for individuals with mental health conditions.

We are also continuing to work with proponents on an investment to support vulnerable and homeless young people. This transaction has taken longer than anticipated and there are important lessons from this experience that we will incorporate into our renewed approach to delivering investments.

Our third RFP was released in October 2016 and, while open to proposals in all areas, it was particularly focused on:

- increasing permanency for children in out-of-home care, particularly through open adoption
- improving outcomes through early childhood education
- addressing youth unemployment.

We look forward to working jointly with successful proponents from May 2017 to develop these investments.

Three new social impact investments have been developed. One in recidivism and two in health.

2. Publish Social Impact Investment Principles

To build on the information covered by the [Principles for social impact investment proposals to the NSW Government](#) published in 2015, we published [Lessons from the 2015 requests for social impact investment proposals](#). These observations and lessons are designed to assist future proponents better understand what we look for in proposals.

3. Publish benchmark cost and outcomes data

We published a [Technical guide for outcomes measurement](#) in June 2016 to support the market in developing a rigorous measurement framework in their social impact investment proposals.

We are also working to identify unit costs required for the development of investments in our focus policy areas, and publish them in our RFP documentation.

We have made significant progress in developing a data-driven approach to identifying priority cohorts. This will help us better determine which priority issues to target in future investments. It will also help streamline the development of investments, as more detailed information will be available to design robust measurement frameworks and financial models.

For instance, we have commissioned actuarial consultants to model the trajectories of young people leaving out-of-home care, and their service usage across state and federal agencies.

4. Deliver a Social Impact Investment Statement of Opportunities

Our [2016 Statement of Opportunities](#) identified three priorities for future investments:

- (i) Increasing permanency for children in out-of-home care, particularly through open adoption
- (ii) Establishing an Aboriginal Centre for Excellence in Western Sydney
- (iii) Improving outcomes in early childhood education.

Action on the second priority has been led by Aboriginal Affairs NSW while the other priorities were the focus of our third RFP, together with addressing youth unemployment.

B. Grow the market and remove barriers

5. Hold a series of social impact investment roundtables and market sounding sessions

Three market sounding events were held in 2016, which were well attended. We also held many meetings with individual stakeholders throughout the year. These activities were valuable for understanding the market's interest and challenges in social impact investment. Engaging with our stakeholders throughout 2017 will continue to be a key focus for us.

6. Establish an Inter-Governmental Taskforce on Social Impact Investment

The Social Impact Investment Inter-Jurisdictional Network for Australian and New Zealand government agencies meets quarterly to share information, activities, and lessons in impact investing. The network has met eight times and will continue to be a forum for us to discuss issues and support each other in growing impact investment markets.

7. Promote understanding of the social impact investment market

We co-hosted the *'Investing for Good: Conference and Marketplace'* event on 16 November 2016. Nearly 200 people from the for-purpose, public and private sectors attended the event, including representatives from Australian and international government agencies. The event addressed opportunities and challenges of the emerging social impact investment market, how organisations and individuals can get involved, and opportunities to deliver better outcomes for the community.

To further promote understanding of the market, the [Office of Social Impact Investment Knowledge Hub](#) was redesigned and relaunched in 2016. The updated version makes it easier for stakeholders to locate information, and for us to provide and share resources with them.

C. Build capacity of market participants

8. Improve government agencies readiness for social impact investment

We continue to support government line agencies to develop investments, engage with non-government stakeholders, and build capacity in outcomes measurement. Agencies with experience and knowledge in developing social impact investments are now able to share their lessons with other agencies new to the market. Agencies are also applying their experience developing social impact investments to broader policy formulation and service provision.

We will continue to pursue opportunities to further distribute lessons, prepare agencies for social impact investment, and foster mainstreaming of social impact investment principles.

9. Facilitate non-government sector readiness for social impact investment

Since launching in May 2015, four rounds of the EAX have connected for-purpose organisations with advisory firms providing *pro bono* capacity development and advice. The EAX has now facilitated 2,162 hours of advice through 135 pairings of for-purpose organisations with 41 advisory firms. Our partner firms have also provided face-to-face and online sessions to an additional 11 for-purpose organisations.

The pilot EAX program is currently undergoing an evaluation, and it is anticipated that the lessons from this will feed into the development of a more targeted approach for the EAX in 2017.

As we look to move to the next phase of social impact investment in NSW, we will be doing focused capability development with the sector so that, together, we can scale and streamline the delivery of investments in the future.

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10. Publish a Statement of Success

This Statement of Progress reflects our delivery of the 10 policy actions and goals for the future.

Key lessons

We are committed to collaboration with stakeholders, as well as continuous improvement. Below are some further lessons learned from our experience developing the market for social impact investment.

Greater capacity building is required for all sectors

As the social impact investment market remains in its early stages of development, capacity building is still required across the government, for-purpose, and investment sectors. We recognise that a necessary part of this work is ‘demystifying’ social impact investment and our formal RFP and joint development phase processes, as well as providing more detailed information upfront, for the streamlined development of investments. An increased focus on capacity building work to further support participation in the social impact investment market will be a key pillar of our work in the future. A more targeted approach to the EAX may also be trialled. We welcome opportunities to work in partnership with others, in innovative ways, to further grow the market.

Better information is needed for market participants

Better and more detailed information on preferred cohorts, potential measurement frameworks, and economic costs to government is crucial for the development of proposals. Our data-driven investment approach will involve obtaining and providing this to the market. This will not only help with the development of strong proposals, it will also significantly streamline joint development phases. This data improvement effort will be a strong focus for 2017.

Partnership and collaboration are key

A major contributing factor to the successful development of the three new social impact investments in NSW is the genuine commitment from all parties involved (government agencies, service providers, and financial intermediaries) to partner and work together in the development of these investments. By working collaboratively, challenges were overcome effectively in the joint development phase. Our growing experience, along with a continued commitment to collaboration, will facilitate faster and smoother delivery of investments going forward. In turn, this helps us achieve better outcomes for the people of NSW.

Focus in 2017

While we continue to be committed to deliver the actions in our Social Impact Investment Policy, we are pursuing a renewed approach to achieve four central goals:

- pursuing scale in impact investment
- mainstreaming successful impact investment models
- streamlining the development of investments
- building a robust pipeline of social impact investments.

We will focus on these four goals as we identify future priority areas for investments. This includes taking a data-driven investment approach, and identifying robust data at all stages of investment development. We will also take a renewed approach to capacity development and engagement with our partners in the market.