

Social Impact Investment



Market Sounding:

Preventing or reducing homelessness
among young people

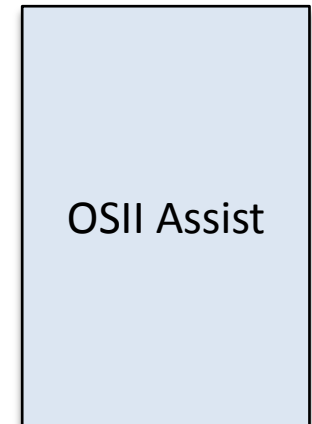
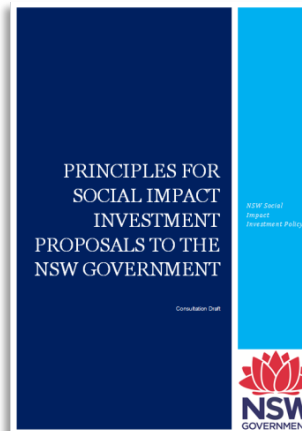
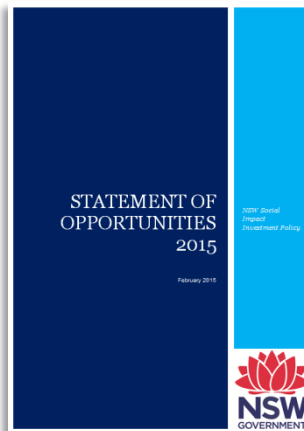
9 March 2015



Purpose of this session

- Provide information to the market on youth homelessness 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:



Agenda

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|----------------------|---|
| 10:30 – 10:45 | Welcome and overview of the Social Impact Investment Policy
Danny Graham |
| 10:45 – 11:10 | Preventing or reducing homelessness among young people
Anne Campbell, Family & Community Services |
| 11:10 – 11:30 | Proposals, process and timeframes
Kirrin Winning and Jeremy Harris, Office of Social Impact Investment |
| 11:30 – 12:00 | Morning tea and networking |
| 12:00 – 1:00 | Questions and discussion
Danny Graham |
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**Preventing or reducing
homelessness among young
people**

Youth homelessness

Homelessness is not just about 'rooflessness.'

Key facts about homelessness:

- In NSW, 1 in 4 homeless people are aged between 12 and 24 years old.
- Each year, over 12,000 young people under 25 present at homelessness services alone.
- A homeless child or young person is more likely to experience chronic homelessness as an adult.



The need for change

- Prevent homelessness and intervene earlier.
- Services that focus on the person.
- Address the underlying causes of homelessness.
- Support services linked to sustainable housing options.

Potential cohort

Young people who are homeless or at risk of homelessness:

- aged 16-24 years with complex, challenging needs.
- disconnected from family and unlikely to be placed back with them.
- disconnected from education and training, and not had a job.

Possible savings to government

Savings are challenging to quantify.

Things to consider:

- Repeated use of homelessness services.
- Incidence of mental health issues in homeless people drives demand for mental health services.
- High users of acute health services – especially among rough sleepers.
- Homeless people more likely to come into contact with criminal justice system.



What are we looking for?

- Innovative approaches building on best practice.
- Prevention and early intervention focus.
- Providing pathways to independence and opportunity.
- Working in collaboration with existing networks and Family and Community Services.

Intervention

Key features:

- Flexible and combining housing solutions with support.
- Address underlying causes of homelessness.
- Partnership approaches.
- Pathways to independence and a safety net.

What does success look like?

Outcomes are long term and challenging.

- Prevention or reduction in homelessness.
- Broader outcomes in areas like life skills, mental health, education and employment.
- Reducing demand for other NSW Government services – such as mental health and justice services.



In summary

Key messages:

- Opportunity to deliver outcomes for a very vulnerable group.
- New approaches and innovation.
- Prevention and early intervention focused.
- Housing and support models, which are tailored for the client group.



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

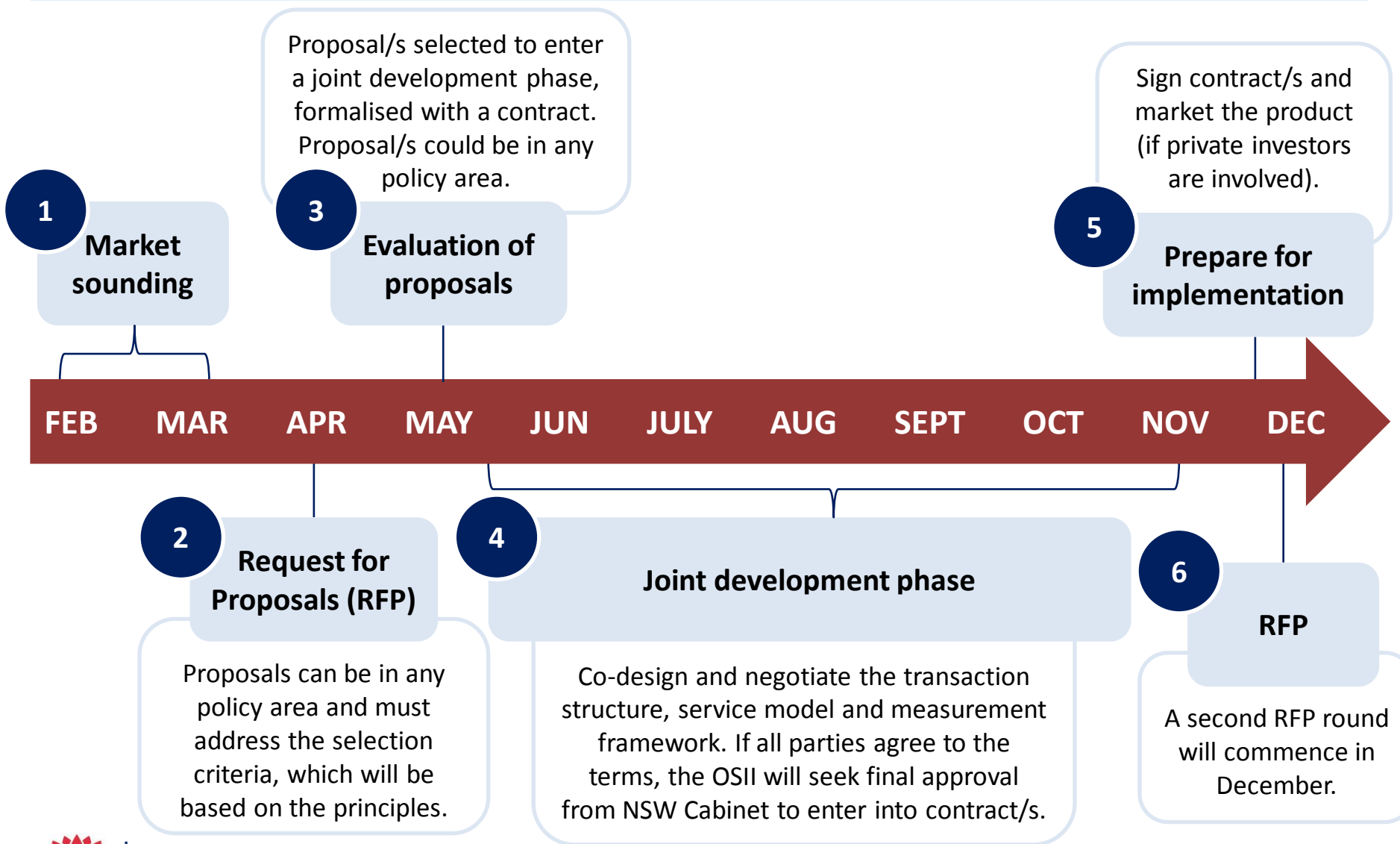
Deliver the service

- 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 Family & Community Services.
- Terms must 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

- Good governance structures are critical, particularly if partnering with others.
- Operational processes will need to be established and outlined in an operations manual.
- 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
- ✉ socialinvestment@dpc.nsw.gov.au
- 🌐 dpc.nsw.gov.au/sii
- 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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