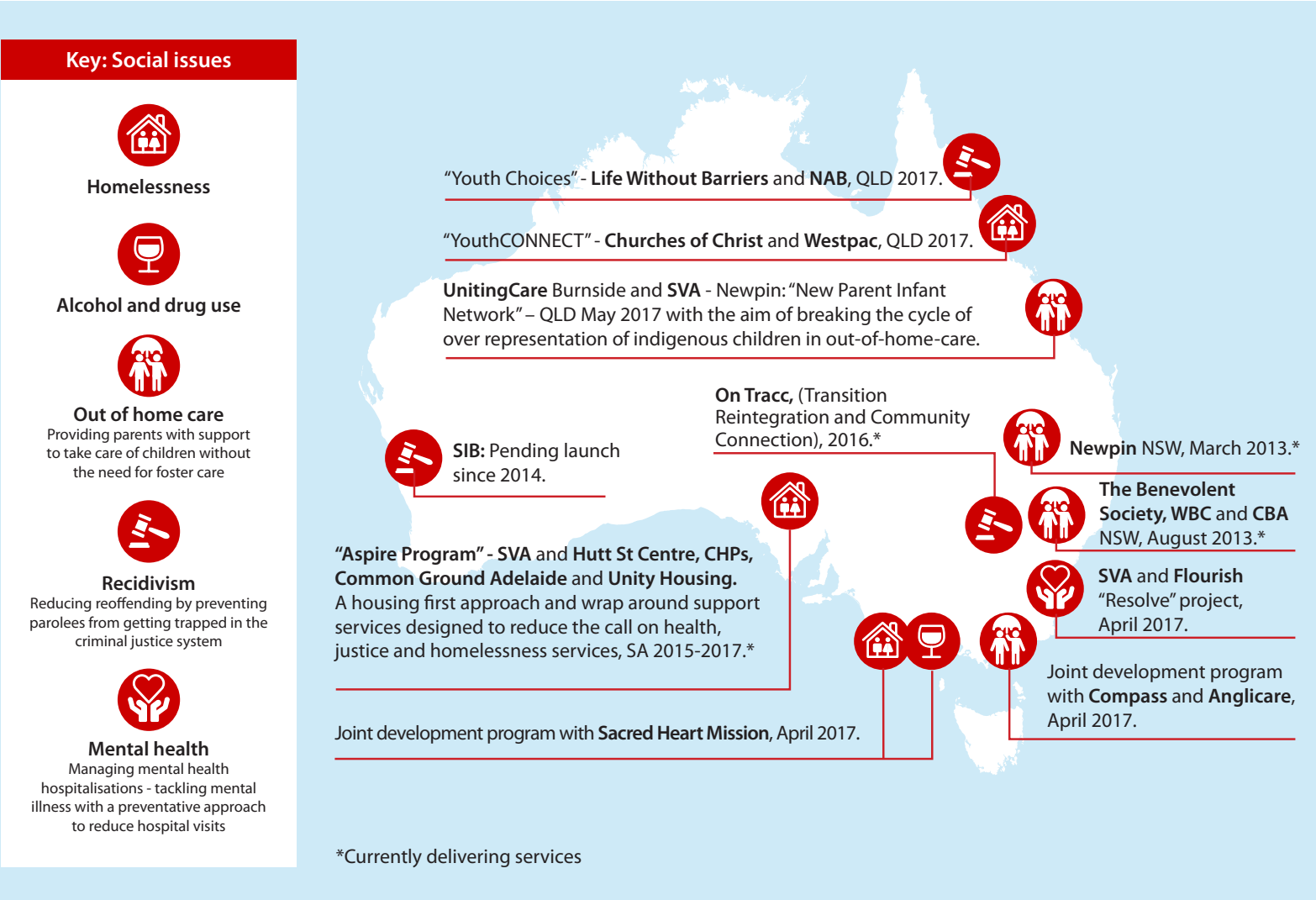


FINSights: Mobilising private finance to effect social change

In this issue of FINSights we explore the rise of Social Impact Bonds (SIBs). SIBs represent the use of innovative private finance techniques and social sector expertise to address areas of social disadvantage. When successfully executed, SIBs deliver very real social and/or environmental change alongside a financial return. Today, State Governments use SIBs to address large-scale community problems that reflect a range of social disadvantage areas. These are highlighted on the map below:



SIB Model

The SIB model links financial performance to improved social outcomes and revolves around developing detailed data models to establish business as usual social service costs and the anticipated outcomes (savings to program costs) from adopting social innovation.

Financial return is calculated by reference to a share of government savings. These programs enable risk sharing, innovation and for government funds to be re-directed to education, health and other productive purposes.

This approach enables the testing of innovative interventions which if successful can be rolled into the government’s toolbox to tackle disadvantage.

Bonds can be structured in tranches so that some bonds are capital guaranteed, while others have capital at risk if a program fails to generate the expected savings to government programs.

Australian SIB development

- **March 2017** Aspire, the country's first SIB targeting homelessness closes early. The SIB was heavily oversubscribed – raising A\$9 million in less than one month. Social Ventures Australia (SVA), the South Australian government, and not-for-profit organisations Hutt St Centre and Common Ground Adelaide, partnered to deliver this SIB which currently supports up to 600 people experiencing homelessness.
- **April 2017** Australia's first SIBs launch in NSW for mental health, and in QLD for out-of-home-care. Both SIBs reached their financial targets just one month following launch.
 - SVA and Flourish raised A\$7 million for Resolve, which provides funding for crisis care to more than 500 people with severe mental illness in western Sydney and NSW's central west. It will save the government A\$30 million by shortening hospital admission periods and will offer investors an expected return of 7.5 percent per annum
 - SVA and UnitingCare raised A\$6 million for the New Parent Infant Network (**NewPIN**), focusing on providing out-of-home-care for indigenous children.
- **July 2017** The Victorian government announced its first SIBs will focus on drug and alcohol treatment programs and young people transitioning from out-of-home care to independence.
- **September 2017** The NSW government issued an RFP for SIBs tackling youth unemployment across metropolitan and regional NSW.

Opportunities:

The first Australian benchmarking survey of market data identified over \$1.2bn in impact investments active in the Australian market in 2015, increasing to \$2bn in 2017. Globally, more than 60 SIB programmes have launched worldwide.

- **Digital advancements** facilitating the development of new technology platforms are enabling increased capacity, scale and efficiencies in service delivery to magnify social inclusion solutions.
- **Social procurement** gaining momentum as corporates and governments seek to leverage their vast spending power to drive social outcomes (eg the Federal Government's Indigenous Procurement Policy or the NSW Government's Disability Inclusion Act 2014 and Social Procurement Policies).
- Moves to **open data** and build a deeper national data market will greatly benefit the ability to develop and fine tune metrics for structured products like SIBs which are heavily reliant on evidence based outcomes and quality testable data.
- Greater **sophistication** in the social sector as NFPs respond by developing "business for purpose" (eg Adara Partners) and "social enterprise" models, coupling business discipline and social mission to tackle disadvantage (eg supported employment pathways for long term unemployed, the disabled and mental health sufferers).



Case Study: Queensland's first social benefit bond

MinterEllison was involved in Queensland's first social benefit bond (SBB), which aims to reduce the number of Indigenous children in out-of-home care.

The bond was launched in March by UnitingCare Queensland (UCQ) and Queensland Treasury. UCQ will work with Social Ventures Australia to raise private capital through the issue of SBBs to fund the establishment of the New Parent Information Network (Newpin) program across Queensland.

The Newpin program provides an intensive support service, and is designed to safely return children to their families following a placement in out-of-home care.

UCQ has entered into an outcomes-focused agreement with Queensland Treasury, with a payment structure based on the number of children that are successfully reunified with their families.

MinterEllison worked with UCQ through the request for proposals phase of the pilot project, and subsequently advised on negotiation of the Implementation Agreement during the joint development phase.

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