

The Victorian Social Impact
Bonds Pilot Program –
Information Session
Wednesday 20 July 2016
10:00am – 12:00pm

Agenda

- 10:00 – 10:05** Welcome and introduction
Trudy Hart, Acting Deputy Secretary, Economic Group,
Department of Treasury and Finance
- 10:05 – 10:20** Social Impact Bonds in Victoria
Victorian Treasurer Tim Pallas
- 10:20 – 10:45** Project update – Statement of Opportunities
Jeremy Nott, Director, Social Policy
Department of Treasury and Finance
- 10:45 – 11:05** The Victorian Human Services context
Jim Round, Director, System Intelligence and Analytics
Department of Health and Human Services
- 11:05 – 11:15** Project update – next stages
Miranda Forehan, Assistant Director, Social Policy
Department of Treasury and Finance
- 11:15 – 11:25** Q&A
- 11:25 – 12:00** Close, tea & coffee

Social Impact Bonds in Victoria

Victorian Treasurer Tim Pallas

House Keeping

- A copy of the slides presented today and key questions including full responses will be made available on the SIBs webpage following the session.
- Probity advisors O'Connor Marsden & Associates (OCM) have been appointed by DTF. Any related queries can be forwarded to Bernie Crosbie at bcrosbie@ocm.net.au.

Project update – Statement of Opportunities

Jeremy Nott

Director

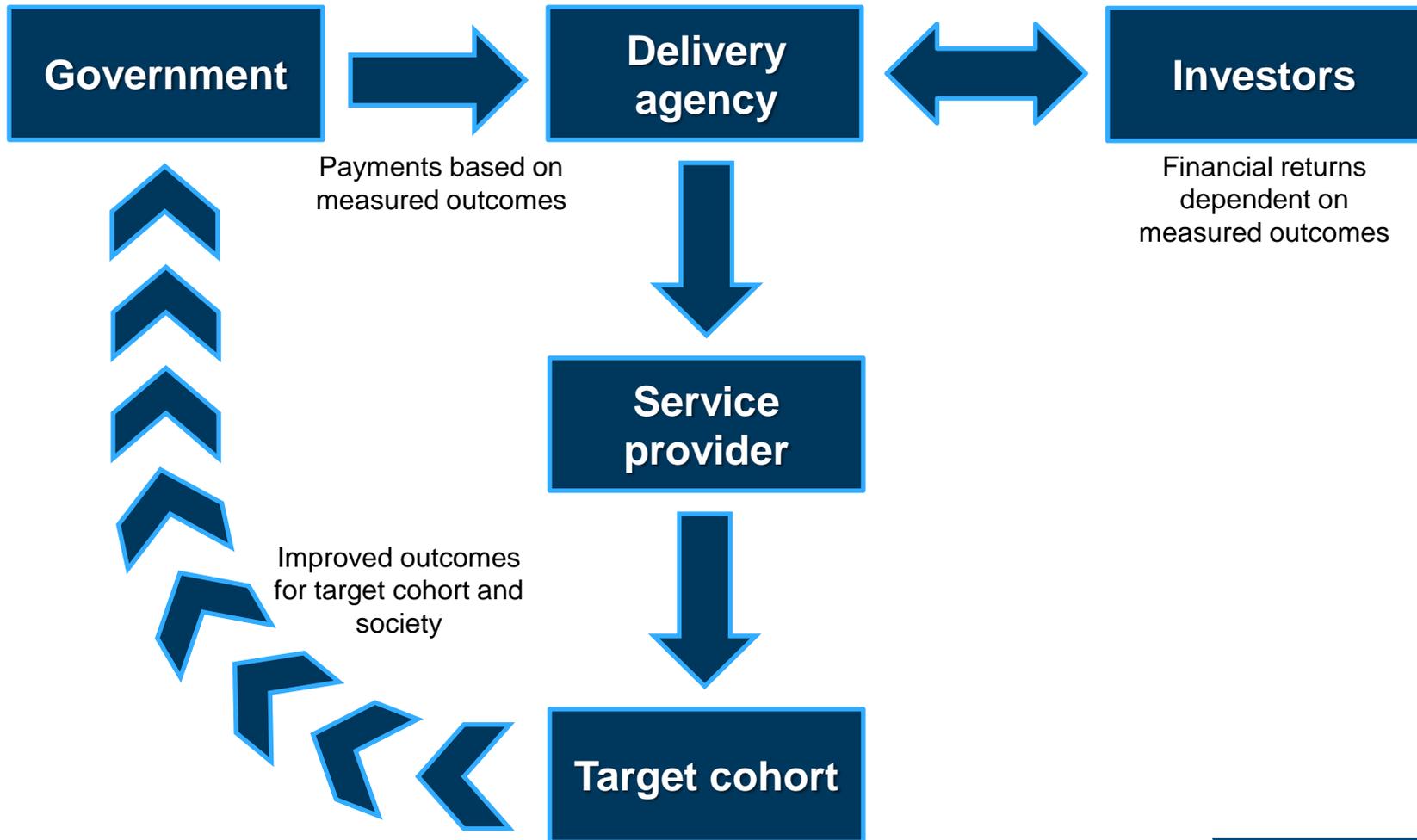
Social Policy

Department of Treasury and Finance

Background

- The Victorian Government is exploring the use of social impact bonds (SIBs) to provide better outcomes for people experiencing social disadvantage.
- SIBs have been examined as a way to introduce, develop and test new programs to tackle serious social problems.

What is a social impact bond?



Why SIBs in Victoria?

- A greater focus on improving outcomes for people.
- Flexibility in service delivery
 - Individual needs and innovative approaches.
- Evidence-based services that emphasise early intervention.
- Greater emphasis on rigorous data collection and outcomes measurement
 - Promotes robust management of performance.

International experience

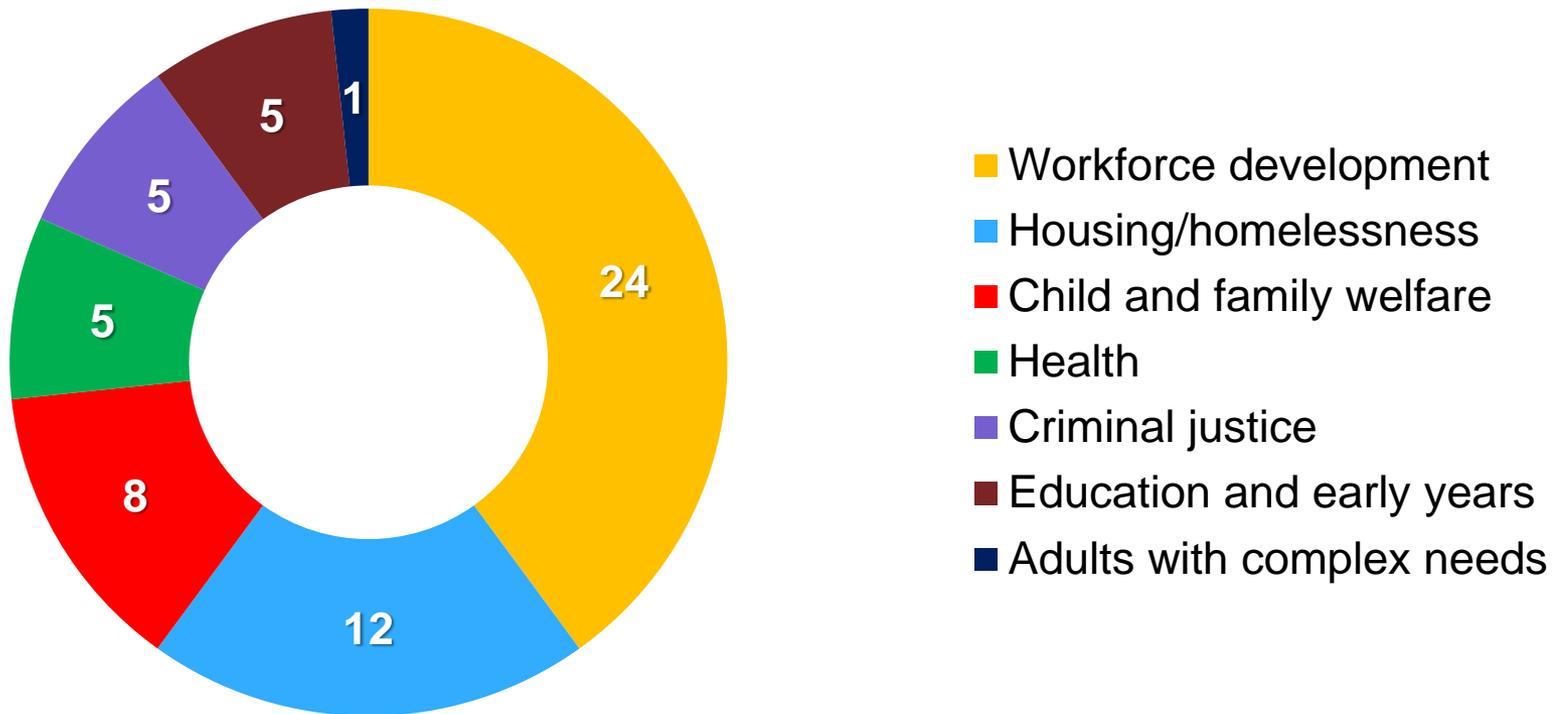
- 60 SIBs launched worldwide since 2010.

Country	No. of SIBs launched (as at June 2016)
United Kingdom	31
United States of America	10
Netherlands	5
Australia, Israel	2
Germany, Belgium, Canada, Portugal, Amazonian Peru, India, Switzerland, Austria, Finland, Sweden	1

Source: Social Finance (2016). *Social Impact Bonds – The Early Years*.

In what policy areas?

- The policy areas of recently launched SIBs are diverse – although there were 24 workforce development SIBs launched since 2010 (40 per cent of total SIBs launched).



Source: Social Finance (2016). *Impact Bond Global Database*.

Early outcomes

- The global experience has been generally positive so far
 - Emerging evidence base....still challenges ahead.
- A number of SIBs have reported positive outcomes
 - 4 projects globally have fully repaid investor capital
 - 12 projects have made outcome payments
 - 21 SIBs have indicated positive results worldwide
 - NSW early results positive.

And some challenges...

- Some SIBs have had mixed results
 - Peterborough prison – SIB was terminated early
 - But achieved an 8.4% reduction in recidivism rates (Cohort 1), below the 10% target, but above the 7.5% payment threshold
 - Replaced with broader national recidivist initiative – “Transforming Rehabilitation”
 - SIB now a ‘fee for service’ model for the final third cohort.
- Other SIBs have not fared so well
 - Riker’s Island bond in New York City – discontinued in August 2015 as the reduction in prison recidivism rates did not trigger outcome payments
 - New Zealand’s first SIB ‘stalled’ before it was introduced – funding uncertainty, slow process.

Key principles for Victorian SIBs

- 1 Clearly defined problem
- 2 Measurable benefits to individuals
- 3 Robust measurement of outcomes
- 4 Delivering a positive return to government
- 5 Evidence of the efficacy of the program, and their capability and capacity to deliver.
- 6 Scope for innovation or experimentation
- 7 Appropriate sharing of risk and returns

Policy area 1 – young people leaving out of home care (OOHC)

- Evidence that young people leaving OOHC settings face poorer outcomes than other young people.
- In 2015, around 650 young people aged 16-18 left OOHC and transitioned to independence
 - In 2014, this was around 620 people.
 - In 2013, this was around 680 people.

Policy area 1 – young people leaving out of home care (OOHC) (cont.)

- Based on data from Forbes et al. (2006), a Monash University study examining the cost differentials between OOHC leavers and the general population.
- Estimated costs for OOHC leavers compared with the general population:

Cost category	Per person, per year (\$ 2015)
Police	\$7,156
Justice and Correctional Services	\$6,913

Sources: Forbes et al. (2006); Department of Treasury and Finance analysis.

Policy area 2 – reducing harmful alcohol and other drug (AOD) use

- Harmful AOD use shows up in the health system:
 - Around 40,000 Victorians access treatment through the Victorian alcohol and drug treatment system each year.
 - About 4 per cent of all ED presentations included alcohol and other drugs as a factor in 2012-13.
 - Annually, there are some 34,000 ambulance attendances for alcohol and other drug related issues.
- Harmful AOD use also shows up in the criminal justice system:
 - There were about 23,400 drug use and possession offences recorded for the year ended March 2016.
 - Evidence suggests harmful AOD use is a factor in criminal offending and incarceration.

Policy area 2 – reducing harmful alcohol and other drug (AOD) use (cont.)

Cost category	Measure	Cost
Justice costs		
Prisons	Per prisoner, per day (2014-15)	\$297
Courts	Per case finalisation (2014-15)	\$317
Police costs associated with court finalisations	Per finalisation	~\$2,700
Health costs		
Ambulance costs	Per attendance	\$1,174

Sources: SCRGSP (2016); Allard et al., (2013); Turning Point Alcohol & Drug Centre.

Data is a big challenge

- Outcomes definition
 - Clarity on what needs to be achieved
 - Independent, third-party evaluation of outcomes and performance.
- Need sufficient baseline data to accurately measure outcomes and evaluate performance
 - Sufficient baseline data is often of poor quality or doesn't exist
 - Likely to need to set up a control group with a matched sample
 - Data independent of the service provider.
- Control group considerations
 - Rigorous control group measures – participant retention, evaluation
 - Contingency planning – what happens if...?
 - A variation of only a few people in the control group can have a significant impact on the SIB's overall performance.

Summary points

- Success is not guaranteed.
- SIBs are a tool to support:
 - Greater outcomes focus;
 - Strong evaluation, including measurement against control group or stable baseline;
 - Innovation in service delivery.
- Preference for SIBs in two areas:
 - Young people leaving OOHC;
 - Reducing harmful AOD use.

The Victorian Human Services Context

Jim Round

Director

System Intelligence and Analytics

Department of Health and Human Services

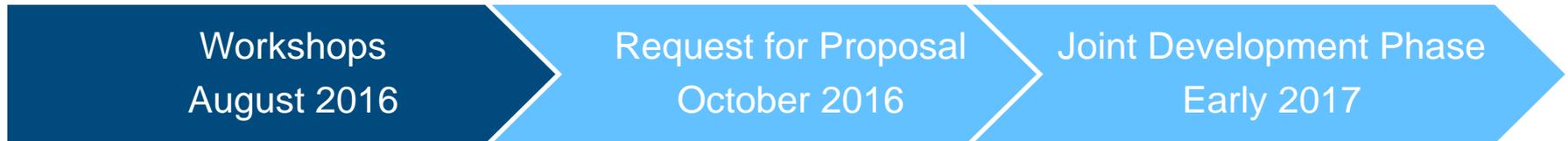
Project update – next stages

Miranda Forehan
Assistant Director
Social Policy
Department of Treasury and Finance

Next steps

- Formal market engagement starts now
 - Transparent and open process.
- Experience elsewhere is that development and negotiation of a SIB is time-intensive.

Next steps – workshops



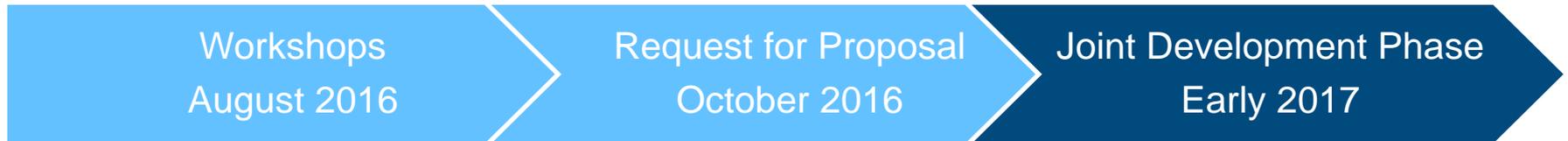
- Two workshops in August:
 - 1st workshop – tentatively 9th August 2016 (PM)
 - for those who have formed a consortia.
 - focusing on the experience of other jurisdictions.
 - 2nd workshop – tentatively 31st August 2016 (AM)
 - for providers with a defined cohort, intervention, idea of outcome measures and assessment.
 - aim to provide specific support and advice on procurement, legal, financial issues and constructing/measuring possible outcomes.

Next steps – Request for Proposal (RFP)



- The RFP would require information such as:
 - Organisations involved, their relationships and capabilities;
 - A defined cohort, how they will be identified and referred;
 - Overview of the proposed approach and associated project costs;
 - Estimate of the avoided costs to government; and
 - Possible outcome measures, and how the data would be collected and verified.

Next steps – Joint Development Phase



- Following the RFP, evaluation, selection and development of the preferred proposals would occur.
- This includes a Joint Development Phase and contract development.
- Likely to occur in early 2017.

Further information

- More information about the market engagement process will be made available via www.dtf.vic.gov.au/socialimpactbonds
- The Statement of Opportunities, presentation slides and key questions and answers will be uploaded to the DTF SIBs webpage.
- You can also submit questions to socialimpactbonds@dtf.vic.gov.au

Q&A



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