

# SOCIAL IMPACT BONDS: EXAMPLES OF TARGETTED INTERVENTIONS

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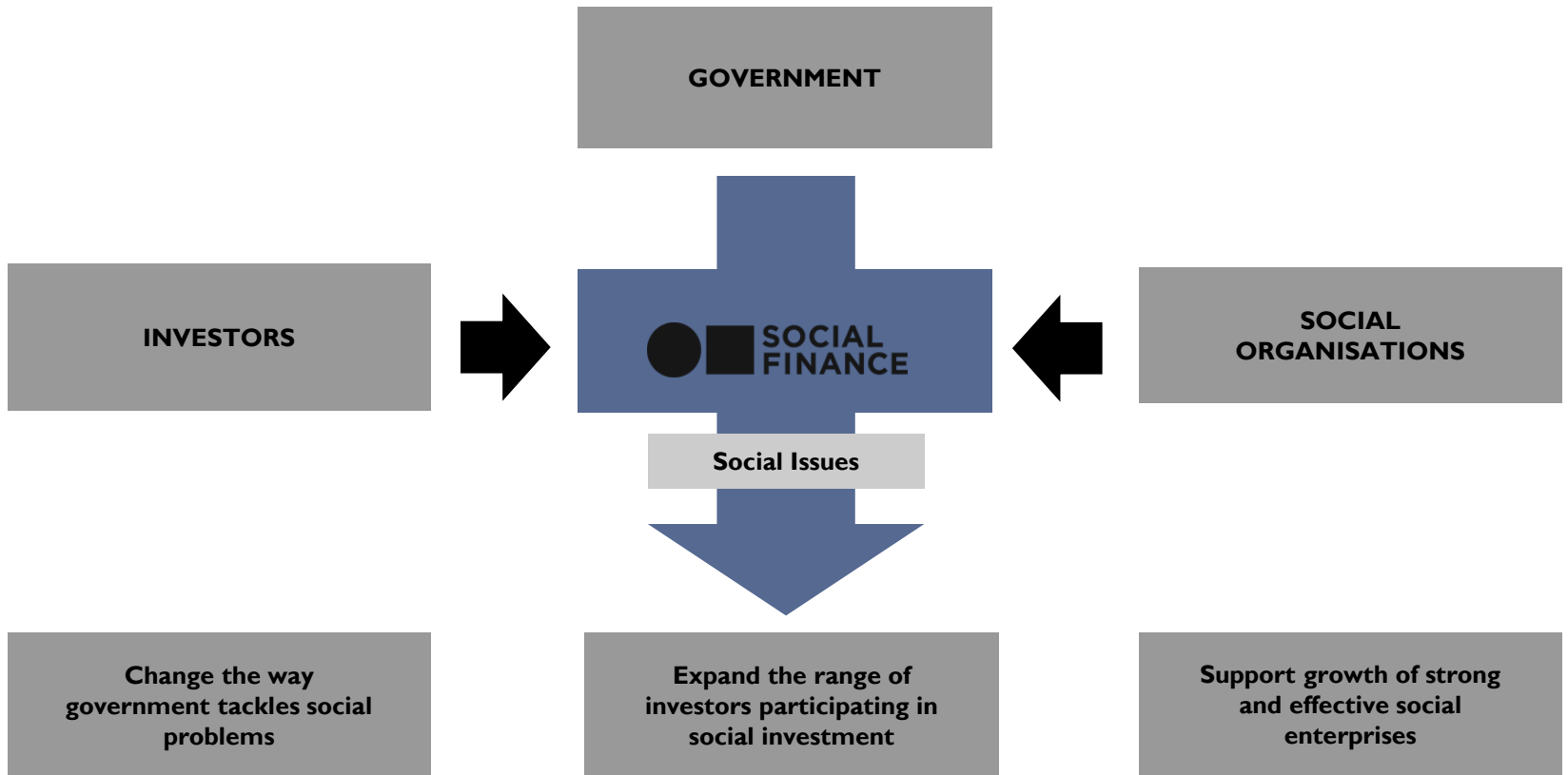


Social Finance is an independent, not-for-profit organisation that partners with **government**, the **social sector** and the **financial community** to find better ways of tackling social problems in the UK and beyond



# ABOUT SOCIAL FINANCE

▶ OUR MISSION IS TO DEVELOP AND BUILD FUNDING MODELS TO TACKLE ENTRENCHED SOCIAL PROBLEMS

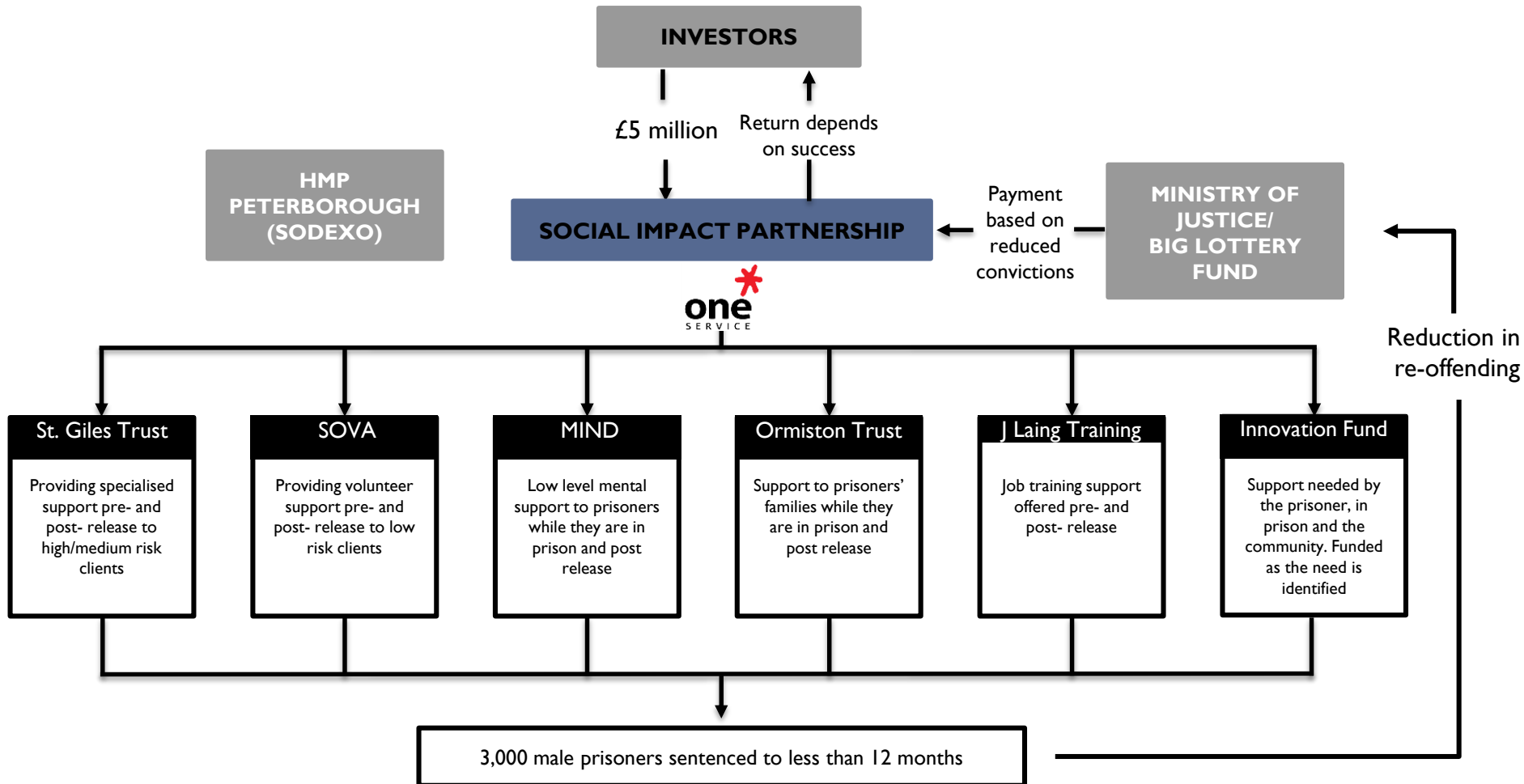


▶ DELIVER SCALABLE AND SUSTAINABLE SOCIAL CHANGE



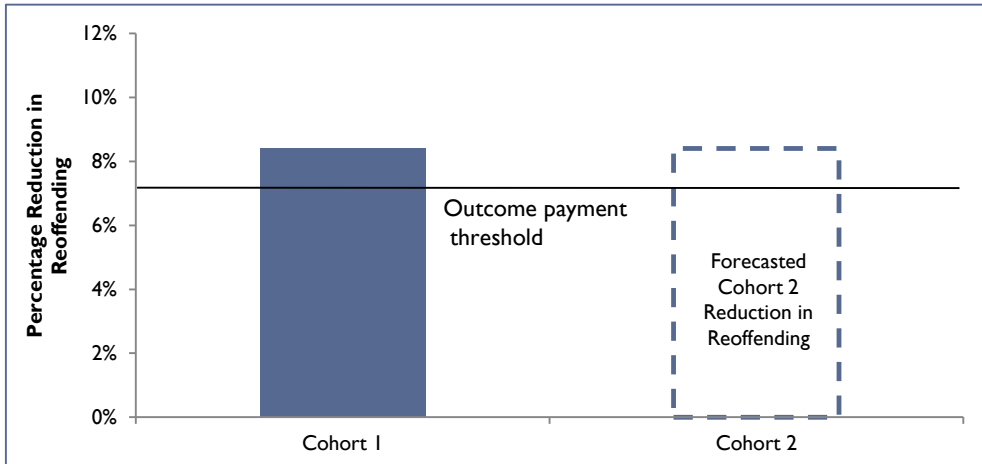
# PETERBOROUGH SIB STRUCTURE

As a partner in the One Service, Social Finance coordinates and performance manages the consortium of service providers delivering the intervention.





# PETERBOROUGH SIB – FIRST COHORT RESULTS



- In August 2014 the first cohort results were announced, demonstrating **an 8.4% reduction in reconviction events** relative to the comparable national baseline
- The project is on course to receive outcome payments in 2016, with expectations of investors receiving capital plus a return

Cohort 1 N= 1038 CLIENTS	<b>74%</b> INITIAL ASSESSMENT COMPLETED	<b>50%</b> NEEDS ASSESSMENT COMPLETED	<b>64%</b> MET AT THE GATE	<b>2.6</b> AVERAGE ACTIVITIES ONE MONTH POST-RELEASE
Cohort 2 N= 1002 CLIENTS	<b>87%</b> INITIAL ASSESSMENT COMPLETED	<b>76%</b> NEEDS ASSESSMENT COMPLETED	<b>86%</b> MET AT THE GATE	<b>5.4</b> AVERAGE ACTIVITIES ONE MONTH POST-RELEASE

- *“There are many lessons that we need to learn from this bold experiment, from its data driven rigour, to its clear value base, to its ability to contend flexibly with complex social issues”, Julian Corner, CEO of the LankellyChase Foundation (SIB investor)*

A large, dark blue triangle pointing to the right, centered on the slide. The text "UK SIB MARKET 2014-15" is written in white, uppercase letters inside the triangle.

UK SIB MARKET 2014-15

# UK SIB LANDSCAPE – OVERVIEW

	SIB	Social Issue	Commissioner	Total	SF managed	Risk		Recycled Payments	Single/Multiple Drawdowns	IRR
						Service Design	Service Delivery			
Existing SIBs	<b>Peterborough</b>	Criminal justice	Central	1	1	Innovative	Partnership of national and local charities (MIND, St Giles Trust, Ormiston Trust, John Lane Training, SOVA)	No	Multiple	7.5-13%
	<b>Essex</b>	Looked After Children	Local Authority	1	1	Evidence-based	Large national charity (Action for Children)	Yes	Multiple	8-12%
	<b>DWP Innovation Fund</b>	NEETs	Central	10	2	Evidence-based	National charities (Adviza and Teens and Toddlers)	Yes	Multiple	n.a.
	<b>GLA Homelessness</b>	Homelessness	Central	1		Innovative	Local charities (St Mungo's and Thames Reach)	Yes	n.a.	n.a.
	<b>Manchester City</b>	Looked After Children	Local Authority	1		Evidence-based	Large national charity (Action for Children)	Yes	n.a.	n.a.
	<b>IAAM</b>	Looked After Children	Central	1		Innovative	Partnerships of charities (Voluntary Adoption Agencies)	Yes	n.a.	n.a.
Future SIBs	<b>Building Connections</b>	Loneliness	Local Authority and CCG	1	1	Innovative	Local branch of national charity (AgeUK Herefordshire and Worcestershire)	Yes	Multiple	7-10%
	<b>End of Life Care</b>	End of Life Care	Local Authority and CCG	1	1	Evidence-based	Large national charity and local NHS Trust (Marie Curie and Sandwell and West Birmingham Hospitals NHS Trust)	Yes	Single	Up to 10%
	<b>Fair Chance Fund</b>	Youth homelessness	Central	6-10	3	Evidence-based	Local charities	Yes		
	<b>Youth Engagement Fund</b>	NEETs	Central	6-10	1	Evidence-based	Range of local and national charities	Yes		Not clear yet
<b>Total UK (max)</b>				<b>37</b>	<b>10</b>					



**CAPITAL IS AT RISK IN SIBS. HOWEVER, NOT ALL CAPITAL IS DRAWN DOWN AND HENCE NOT 100% OF CAPITAL IS AT RISK**





FAIR CHANCE FUND  
YOUTH  
ENGAGEMENT FUND

# HOMELESSNESS AMONG YOUNG ADULTS REMAINS A SIGNIFICANT SOCIAL ISSUE IN ENGLAND

<p>SIZE</p>	<p>Around 60,000 young adults aged 18-24 in England experience homelessness each year <sup>1</sup></p> <ul style="list-style-type: none"><li>• Majority receive support from statutory services, housing associations and through existing supported housing</li><li>• Official figures are likely to under-represent the true picture due to a high degree of hidden homelessness e.g. sofa surfing</li></ul>
<p>NEEDS</p>	<p>Needs of young adults who are homeless are often complex <sup>2</sup></p> <ul style="list-style-type: none"><li>• Around 40% of homeless young adults are also not in education, training or employment</li><li>• Substance abuse and mental health issues affect around 1 in 5 young homeless people</li><li>• 73% of homelessness organisations indicated that there were not enough support services available for young adults with high support needs</li><li>• 6 in 10 homelessness organisations were unable to support a young person due to limited capacity last year</li></ul>

<sup>1</sup> Deborah Quilgars, Suzanne Fitzpatrick and Nicholas Pleace, "Ending youth homelessness: Possibilities, challenges and practical solutions" University of York, July 2011

<sup>2</sup> Homeless Link; Young and Homeless: 2013, January 2014



# OUTCOME PAYMENTS

OUTCOME	MAX TARIFF	EVIDENCE
<b>INITIAL ASSESSMENT (cannot be bid at discount)</b>		
Initial Assessment Fee	£500	Summary report / assessment
Second Assessment	£500	Summary report / assessment
Third assessment	£200	Summary report / assessment
<b>Maximum Assessment Fee Payment</b>	<b>£1,200</b>	
<b>ACCOMMODATION OUTCOMES</b>		
Move into accommodation	£500	Tenancy / written agreement / letter from family member
Accommodation sustained for 3 months	£1,500	Tenancy / written agreement / letter from family member
Accommodation sustained for 6 months	£1,500	Tenancy / written agreement / letter from family member
Accommodation sustained for 12 months	£1,500	Tenancy / written agreement / letter from family member
Accommodation sustained for 18 months	£1,500	Tenancy / written agreement / letter from family member
<b>Maximum total accommodation payment:</b>	<b>£6,500</b>	
<b>EDUCATION AND TRAINING OUTCOMES</b>		
Entry into Education or Training	£500	Letter from education provider
First Entry Level Qualification	£1,500	Qualification certificate
Level 1 Qualification (e.g. NVQ, single GCSE)	£2,500	Qualification certificate
Full Level 2 Qualification (e.g. 5 GCSE A*-C inc English & Maths)	£3,500	Qualification certificate
<b>Maximum Total Education Payment</b>	<b>£8,000</b>	
<b>EMPLOYMENT OUTCOMES</b>		
6 weeks volunteering (6-16 hours)	£500	Letter from organisation
13 weeks volunteering (6-16 hours)	£500	Letter from organisation
20 weeks volunteering (6-16 hours)	£250	Letter from organisation
26 weeks volunteering (6-16 hours)	£250	Letter from organisation
Entry into Employment	£500	Contract / letter from employer
13 weeks part-time employment	£3,000	Payslips / letter from employer
26 weeks part-time employment	£2,000	Payslips / letter from employer
13 weeks full-time employment	£4,500	Payslips / letter from employer
26 weeks full-time employment	£3,500	Payslips / letter from employer
<b>Maximum Total Employment Payments</b>	<b>£15,000</b>	

## 13.6% of young people in England are NEET.

Partners bidding for the Youth Engagement Fund must demonstrate that they will target the most disadvantaged in society who are at risk of becoming long term NEET. This is a diverse group, and partners will work with 14-17 year olds who present a range of risk factors in order to prevent them becoming NEET or to improve the employability of those who are already NEET.

### Young people NEETs

**1/3** have suffered depression

**20x** more likely to be convicted of a crime

**6x** less likely to have qualifications

### Risk factors

- History of offending or who have been identified as being at a high risk of becoming an offender
- In care, or are care leavers
- Left school or are likely to leave school with few or no qualifications
- Behavioural or mental health issues
- Have high levels of absence from school
- In a gang
- Teenage parents
- No fixed abode
- Using or have used drugs
- Have a learning difficulty and/or disability

The **Youth Engagement Fund** has been established to fund innovative preventative interventions that will improve outcomes for young people between the ages of 14 and 17 across England. It builds on the DWP Innovation Fund Rounds 1 and 2.

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## Objectives

1. Help young people aged 14-17 who are disadvantaged to succeed in education, training and employment
2. Enable local stakeholders to use their resources more effectively to support disadvantaged young people and reduce NEETs
3. Test ability of payment by results approach involving social investors to drive improved outcomes and generate benefit savings
4. Support the development of the social investment market, build the capacity of VCSEs and contribute to the evidence base for SIBs

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## Key Facts

- £16m fund set up by Cabinet Office, DWP and MoJ
- Aims to support 18,000 young people
- Will pay for outcomes based on the same rate card as for Innovation Fund Round 2
- Outcomes include improved attendance, attitude and behaviour at school, achievement of NQF qualifications and employment
- Supports three-year programmes running from Spring 2015



**YOUTH ENGAGEMENT FUND OFFERS THE OPPORTUNITY TO SUPPORT YOUNG ADULTS TO ACHIEVE BETTER LONG TERM LIFE OUTCOMES**



## OUTCOME PAYMENTS

Nature of outcome	YEF Tariff	IF R2 Tariff	% Change
<b>Age 14 and 15</b>			
Improved attitude to school/education	£400	£700	-43%
Improved attendance at school (for persistently absent pupils)	£1,400	£1,400	0%
Improved behaviour at school	£1,100	£1,300	-15%
QCF accredited entry level qualifications (below GCSE)	£1,000	£900	11%
<b>Age 16+</b>			
Improved attitude to school/education	£400	£700	-43%
Basic Skills	£1,000	£900	11%
First QCF Level 1 Qualification	£1,500	£1,100	36%
First QCF Level 2 Qualification	£3,900	£3,300	18%
First QCF Level 3 Qualification	£2,700	£5,100	-47%
Entry into First Employment	£3,400	£3,500	-3%
Entry into Sustained Employment	£1,900	£2,000	-5%



HEALTH AND SOCIAL  
CARE SIBS

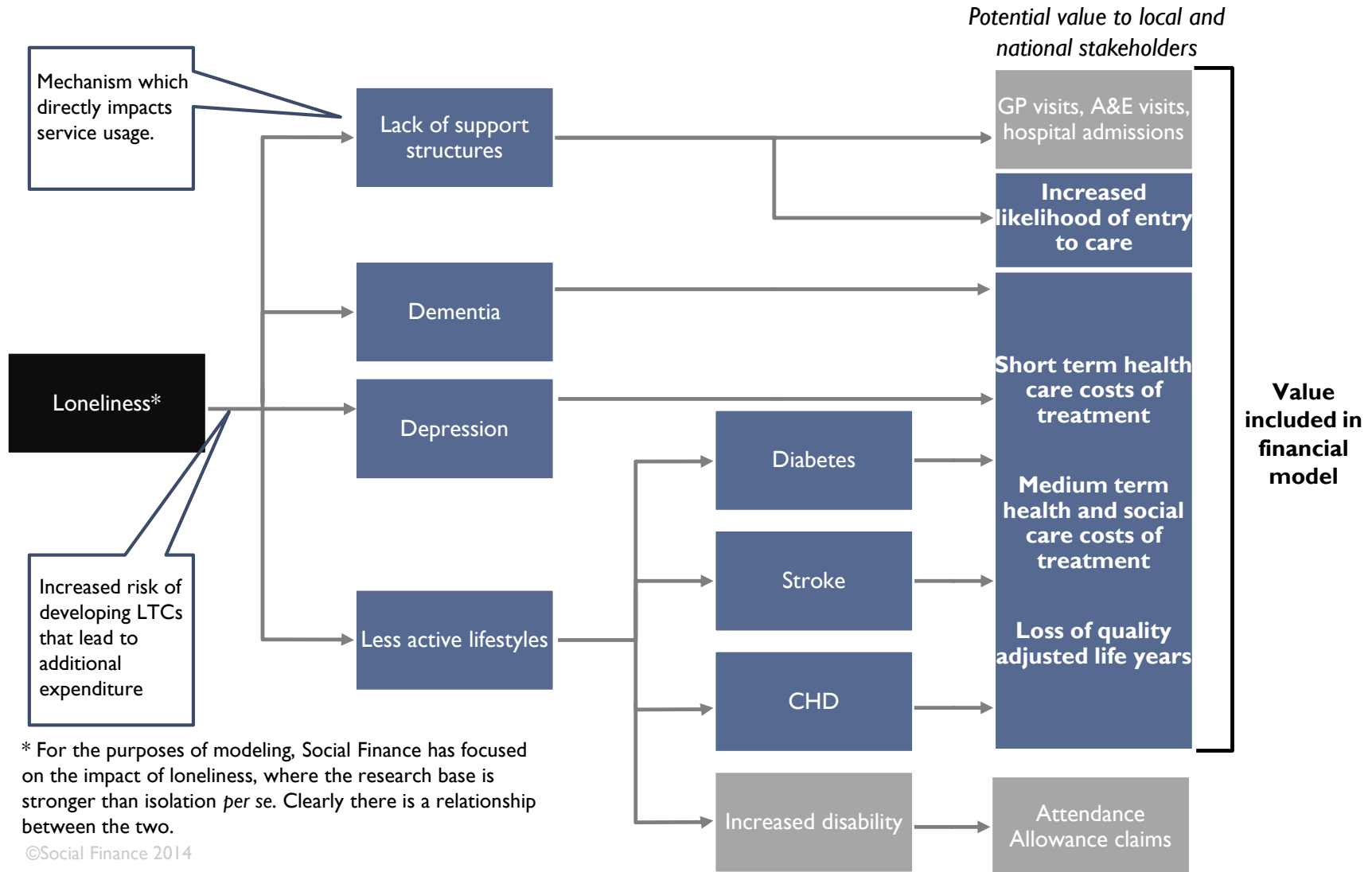
**Social Finance has been working with two separate public sector commissioners and two charities (service providers) on reducing health service costs and improving quality of service delivery through a SIB.**

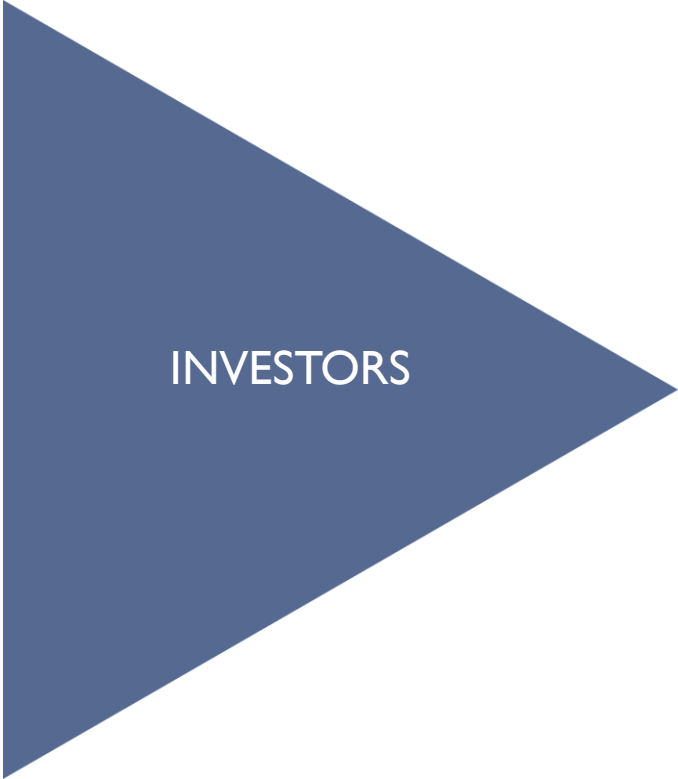
**Both Local Authority commissioners have moved into procurement in September 2014.**

Description	Building Connections Social Impact Bond	End of Life Care Social Impact Bond
<b>Social Issue Area</b>	Lonely elderly	End of life care patients
<b>Purpose</b>	Reduce loneliness amongst 3,000 older people by better connecting them to their communities	Improve patient care by supporting 3,000 end-of-life patients to die in their usual place of residence and by reducing the number of emergency admissions
<b>Commissioner</b>	Worcestershire County Council and CCGs	Sandwell and West Birmingham NHS Trust
<b>Likely outcome metric</b>	Improvements in Revised UCLA Loneliness survey	Avoided emergency admissions; Death in usual place of residence
<b>Investment period</b>	5.25 years	3.5 years
<b>Est. capital need</b>	Less than £1 million	£1.3m (including 1 <sup>st</sup> loss facility investors)
<b>Expected IRR</b>	Approximately 7-10%	Up to 10%
<b>Unconfirmed service provider</b>	Age UK	Marie Curie Cancer Care
<b>Timing</b>	ITT September 2014	PQQ September 2014



**Social Finance has modelled some of the short and medium term health and social care value associated with long-term conditions developed as a result of loneliness. Total value will be higher.**





<b>Social Enterprise</b>	<b>A social enterprise has the delivery of a specific defined impact at the heart of its business model. This impact is not incremental but is a key driver of growth and competitive advantage.</b>
<b>Social Investment</b>	<b>Social investment is investment where at the point of investing there is a clear intent to support the delivery of the specific social impact, alongside the usual considerations of financial return and risk.</b>



**Two points to note:**

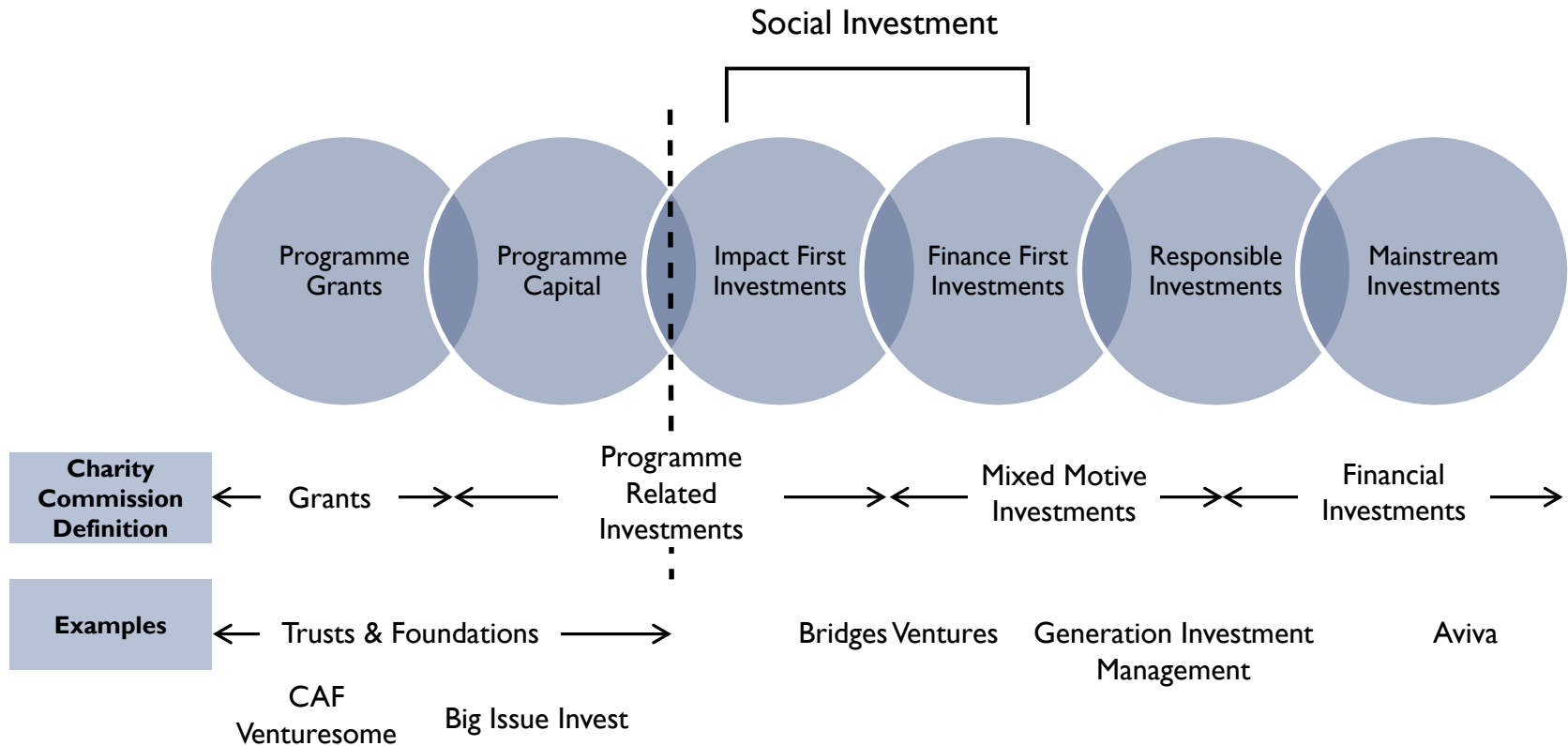
**Social enterprises are not by definition non-profit maximising, e.g. in the Social Impact Partnership in Peterborough, the more successful positive social outcomes are generated, the more profit is generated.**

**Social enterprises need profits to remain sustainable. Without sustainability over time there cannot be social impact.**



# WHAT IS SOCIAL INVESTMENT?

**Investment where, at the time of the investment decision, the social purpose of the enterprise is a principal motive for the investment**



## The number of impact investment funds and their FuM have more than doubled over the past 12-18 months

Organisation	Fund Name	Size (m)	Tickets (m)	Fund Focus
Barrow Cadbury Trust	Barrow Cadbury Fund	£4	£0.05 to £0.25	The Barrow Cadbury Trust is committed to supporting vulnerable and marginalised people in society. The Trust provides grants and grassroots voluntary and community groups working in deprived communities in the UK, with a focus on Birmingham and the Black Country.
Big Issue Invest	Social Enterprise Investment Fund LP	£9.2	up to £1.5	The investment objective of BI's Social Enterprise Investment Fund LP is to provide growth capital to high impact social enterprises and financial and social returns to investors.
Bridges Ventures	Social Entrepreneurs Fund	£12	£0.3 to £1.5	Social Entrepreneurs Fund aims to address the funding gap often faced by fast growing social enterprises looking to scale.
Bridges Ventures	Social Impact Bond Fund	£25	£0.3 to £3.0	Launched in April 2013, the fund provides investment and support to charities and social enterprises delivering intervention programmes which significantly improve social outcome
Charities Aid Foundation	Venturesome	n.a.	£0.025 to £.250	CAF Venturesome provides affordable financial support to charities, social enterprises and community groups when grants may not be available and access to traditional financial institutions is difficult.
FSE	Social Impact Accelerator	£10	£0.20 to £1	Flexibly structured loans will be provided to regulated social sector organisations to support their expansion strategies. Loans can be considered for capacity building and expansion initiatives.
LGT Venture Philanthropy & Berenberg Bank	Impact Ventures UK	£20	£0.25 to £1	Impact Ventures UK's objective is to invest smart and patient growth capital into UK social enterprises with a clear social mission, a sustainable business model and demonstrable social impact.
NESTA	NESTA Impact Investment LLP	£18	£0.15 to £1	NESTA invests in social ventures with innovative products or services that are addressing some of the UK's most pressing challenges. One of its three main foci is health and wellbeing of an ageing population.
Social and Sustainable Capital	Community Investment Fund	£20	£0.25 to £1	Improve quality of life of local individuals, particularly those who are vulnerable or disadvantaged.
Social and Sustainable Capital	Third Sector Loan Fund	£30	£0.25 to £3	Pioneering a model designed to encourage banks and other mainstream institutions to invest in funds which finance charities and social enterprises. The fund enables financial institutions to invest on a commercial basis, which in turn makes more money available for charities and social enterprises to borrow, providing finance they need to grow, deliver better services and create jobs.
The Trustees of Esmée Fairbairn Foundation	Finance Fund	£23	£0.25 to £0.50	The Finance Fund aims to complement the Foundation's grant programme by financing projects or organisations that need investment and have the capacity to manage the demands of non-grant funding.
<b>Total</b>		<b>£171</b>		

Sources: [www.esmeefairbairn.org.uk](http://www.esmeefairbairn.org.uk); [www.socialandsustainable.com](http://www.socialandsustainable.com); "Social and Sustainable Capital launches £20m fund offering substantial investment in charities and social enterprises"