



**Government
of South Australia**

TRS19D1257

Hon Stephen Mullighan MP
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Stephen,
Dear Mr Mullighan

APPLICATION UNDER THE *FREEDOM OF INFORMATION ACT 1991*

I refer to your application made under the *Freedom of Information Act 1991* (FOI Act), dated 13 May 2019.

Your application seeks access to:

“All minutes, briefings and correspondence titled ‘Social Impact Bonds – Progress and Next Steps’ as described on the Objective document management system, between 12 July 2018 and 13 May 2019.”

The legislative prescribed timeframe to determine this application has expired and is now deemed to have refused you access to all documents relevant to your application. I refer to my letter dated 26 May 2019 where I sought additional time to make my determination.

The purpose of this letter is to advise you of my determination. An extensive search was conducted within this office. A total of 1 document was identified as answering the terms of your application.

I grant you access in part to 1 document, a copy of which is enclosed.

Document Released in Part

Document 1 is a briefing which was prepared by DTF for my consideration in relation to the first year outcomes of the Aspire social impact bond.

The briefing contains information to be considered at a Cabinet committee meeting and which I have determined exempt pursuant to clause 1(1)(f) to the FOI Act.

There is also mention of a Cabinet decision which I have determined exempt pursuant to clause 1(1)(e).

A draft media release was attached to the briefing which to my knowledge was not publicly released. This information is not in the public's interest to disclose as the media release was prepared for my consideration and subsequently determined not to be released. I determine this exempt pursuant to clause 9(1)(a)(i).

Exemptions

Clause 1 – Cabinet documents

(1) *A document is an exempt document—*

- (e) *if it contains matter the disclosure of which would disclose information concerning any deliberation or decision of cabinet;*
- (f) *if it is a briefing prepared for use of Minister regarding matter submitted to Cabinet.*

Clause 9 — Internal Working Documents

(1) *a document is an exempt document if it contains matter—*

- (a) *that relates to—*
 - (i) *any opinion, advice or recommendation that has been obtained, prepared or recorded; or*
 - (ii) *any consultation or deliberation that has taken place,*

in the course of, or for the purpose of, the decision-making functions of the Government, a Minister or an agency; and

- (b) *the disclosure of which would, on balance, be contrary to the public interest.*

Please note, in compliance with Premier and Cabinet Circular PC045 - *Disclosure Logs for Non-Personal Information Released through Freedom of Information* (PC045), the Department of Treasury and Finance is now required to publish a log of all non-personal information released under the *Freedom of Information Act 1991*.

In accordance with this Circular, any non-personal information determined for release as part of this application, may be published on the DTF website. A copy of PC045 can be found at the following address: <https://dpc.sa.gov.au/resources-and-publications/premier-and-cabinet-circulars>. Please visit the website for further information.

As I am determining this application as Principal Officer, Section 29(6) of the Act does not provide for an internal review. If you are dissatisfied with my determination you are entitled to exercise your rights of external review with the Ombudsman.

Alternatively, you can apply to the South Australian Civil and Administrative Tribunal. If you wish to seek a review, Section 39(3) of the Act states you must do so within 30 calendar days of receiving the determination.

If you require any further information, please contact Vicky Cathro on 8226 9769.

Yours sincerely

A handwritten signature in black ink, appearing to read "Rob Lucas".

Hon Rob Lucas MLC
Principal Officer

21 September 2019

MINUTE

23/11/18

T18/059

TRS18D2413



Government
of South Australia
Department of Treasury
and Finance

MINUTES forming ENCLOSURE

File T&F18/0351

Doc No A967489

To The Treasurer

SOCIAL IMPACT BONDS – PROGRESS AND NEXT STEPS

Timing: ROUTINE — For information only

Recommendations/Issues: It is recommended that you:

1. Note the first year outcomes of the Aspire social impact bond, which will soon be made public in the form of a report to investors.
2. Consider the opportunity to issue a media release on the first year's outcomes (as per attached draft).
3. Note the progress of other social impact bonds around Australia, including the outcomes and investor payments that have been made to date.

4.



Approved / Not Approved-

Hon Rob Lucas MLC
Treasurer

2/12/18

BACKGROUND

Following previous advice to you (A925251, TRS18D1878) and a discussion at the Social Affairs Cabinet Committee on [REDACTED]

This minute contains updated information where available in the form of 2017-18 progress reports, and briefs you on the first year's results for the Aspire program (where the report will be provided to investors in December 2018).



Aspire (South Australia) – first year results

Compared to the counterfactual baseline, use of crisis-end government services has decreased for Aspire participants since commencing on the program, across each of the three key performance metrics:

- 10% reduction in inpatient bed days
- 22% reduction in offence convictions (measured using apprehensions as a proxy)
- 64% reduction in short-term/emergency accommodation.

While these percentage reductions are encouraging, the size of the intervention group in the first year is lower than anticipated (reflecting delays in housing supply in the early stages of the program); which means that the actual total number of avoided services is lower than initially modelled. It is the total number of avoided services (rather than the percentage improvement per client) that ultimately drives government outcomes payments and investor returns. The target absolute numbers of avoided services (in year 1) are:

- 37 bed days (achieved 14)
- 15 offences (achieved 12)
- 75 short-term/emergency accommodation support periods (achieved 54).

These figures have been verified by the independent certifier (Deloitte) and will be published shortly in the form of a report to investors.

Service use across clients is not uniform; the aggregate outcomes are affected by a small number of outliers where service use (and costs) have been significantly higher than average.

At the end of year 1, the number of participants is still relatively small. In the early years of the program, investors receive only a small fixed coupon payment. Larger investor return payments are not expected to be made until 2020-21 or 2021-22 (depending on later years' outcomes, when more reliable measurement can be made).

Additional data (not for publication) has been compiled on service use for Aspire clients post commencement against the previous 3 years' service use for those same clients (as opposed to the agreed counterfactual) suggests a significantly higher number of avoided services, particularly for inpatient bed nights. This may suggest that clients accepted in the Aspire program to date are more intensive users of services (in particular, hospitals) than the homeless population in general (used for the baseline study).

The Benevolent Society (NSW)

The Benevolent Society Social Benefit Bond in NSW is the first Australian bond to mature. The bond raised \$10 million (\$2.5 million unsecured and \$7.5 million secured) to deliver Resilient Families, a family preservation service to prevent at-risk children from being placed in out-of-home care. Participating families (n=303) were assessed by Family and Community Services at risk of significant harm, but safe at home with a plan.

The key success metric was the reduction in entries to out-of-home care for the youngest child in the family, compared to a matched control group (with similar risk profile). There were 41 entries to out of home care amongst the program children, compared to 60 in the control group – a reduction of 19 (32%). The bond provided financial returns to investors of 10.5% (unsecured bonds) and 6% (secured bonds).

While the bond has now concluded, the Resilient Families program will continue operating as an outcome funded (pay by results) contract, funded jointly by the Benevolent Society and the NSW Government.

Newpin (NSW)

In the Newpin program, families learn or consolidate parenting skills with their children in a centre based program. During 2017-18 (year 5 of the program) clients included 115 children who had been in out of home care for at least three months, and their families. 74 of the 115 children were restored to families by courts. The year 5 net restoration rate is 66.69%.

Cumulatively to the end of 2017-18, 272 children have reunited with their families, which is 176 more than the counterfactual number (96). This reflects a cumulative restoration rate of 63.3%, which corresponds to an average investor rate of return of 13.5% per annum.

Newpin (Queensland)

The Queensland Government also implemented the Newpin program under a social impact bond. In Queensland, the program is based regionally (the first centre has opened in Cairns) and has a strong focus on Aboriginal children and families, through a partnership with Wuchooperen, a community-controlled Aboriginal health service provider. According to the first report to investors (published in October 2018) intake to the program in the first 9 months has been slower than expected. As of the end of September 2018, there were 20 children from 12 participating families (as opposed to 63 children from 22 families initially assumed).

DTF understands that one of the reasons for referrals to Newpin in Queensland being lower than expected is that some clients are being referred to other Aboriginal-operated service providers, rather than Uniting Communities Queensland (which operates Newpin).

Sticking Together (NSW)

The New South Wales Government has recently released a new bond to investors, focused on employment for disengaged young people. The program is known as Sticking Together, and service delivery will be led by Service to Youth Council (headquartered in Adelaide). Service delivery involves a 60 week-coaching program for 870 unemployed young people, classified by Centrelink as 'job disadvantaged'. Financial close is expected by December 2018.

Social impact investment globally

A recent article published by the UK Financial Times (25 September 2018) reported that the international experience of social impact bonds has delivered mixed outcomes to date:

"As of January this year, only 10 projects of the more than 100 globally had reported that they had repaid investors their initial capital and delivered a return on investment, although this may be partly because the projects need several years to bear fruit. A further eight bonds have started meeting targets and making payouts to investors, the data show."

The typical term of a social impact bond is from five to seven years. While investors may receive some small coupon payments in the early years following initial investment, it is usually not until the later years of the bond that significant outcomes payments would be made by government (because it takes time to demonstrate sustainable results for individuals who have completed the intervention programs). This is the case with the social impact bonds implemented across Australia to date, including the Aspire program.

Opportunities for future social impact bonds in South Australia

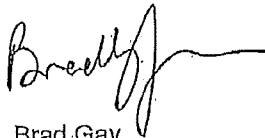
While social impact bonds are potentially applicable to a range of social problems, the Department of Treasury and Finance considers the area where there is highest potential to achieve net cost savings is within the Child Protection portfolio, for example through programs that aim to reunite children who have been placed (under temporary orders) in out-of-home care, with their families.

The marginal cost per annum of a child in out-of-home care is significantly higher than the cost of homelessness, and the cost is largely variable (as opposed to fixed). Reducing the number of children in out-of-home care would therefore lead not only to better outcomes for children and families, but to a tangible and immediate reduction in the cost to government. Social impact bonds in the area of out-of-home care have been introduced in New South Wales and Queensland.

DTF is also in discussion with SA Health about potential application of impact investment in the area of mental health.

Social impact bonds are likely to be better suited as a financing mechanism where the government wishes to trial innovative (and more intensive) service delivery, in particular for cohorts where conventional service delivery has not been sufficient to address the problem.

Where the evidence of effectiveness is well established, direct funding (or pay by results with a single investor/lender) could be a better way to finance it.




Brad Gay
EXECUTIVE DIRECTOR
COMMERCIAL AND ECONOMICS

21 November 2018

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Attachment:

- Draft media release

<p>Supported / Not Supported</p>  <p>David Reynolds <u>CHIEF EXECUTIVE</u> Department of Treasury and Finance Date: 23.11.18</p>
