More information on Social Impact Bonds

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Social Impact Bond Model

1. PbR contract – government agrees to pay a service provider if and when it achieves certain outcomes
2. Investors provide up front finance to fund the provision of services by a social enterprise or charity
3. Social enterprise/charity service providers deliver services to service users
4. Improved outcomes for services users and savings to government
5. Government pays if and when agreed outcomes specified in the PbR agreement are achieved
6. Outcome payments from government provide a return to investors

From Cabinet Office Centre for SIBs ‘Knowledge Box’
http://data.gov.uk/sib_knowledge_box/social-impact-bonds-model
ThinkForward

**SOCIAL IMPACT BOND IN ACTION**

Youth unemployment is damaging for both young people and costly for society. Over the last three years the ThinkForward programme has supported 1050 disengaged young people in 14 schools in north-east London to achieve a successful transition from school to work.

- **91%** were in education, employment or training at age 18.
- **72%** achieved 5 A*-C GCSEs.
- **24%** gained a place at university.
- **85%** improved behaviour and attendance at school.

**HOW THE SIB WORKS**

The programme was made possible by a social impact bond, a form of social investment where charities work with commissioners and investors to resolve enduring social problems. Through a payment by results contract the delivery costs and return to investors are directly linked to young people’s success.
**Essex Children’s Social Impact Bond (“SIB”)**

<table>
<thead>
<tr>
<th>Issue</th>
<th>Essex Children’s SIB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size</td>
<td>c.£3.1 million</td>
</tr>
<tr>
<td>Objective</td>
<td>Improve outcomes for children and young people at the edge of care</td>
</tr>
<tr>
<td>Public Sector Counterparty</td>
<td>Essex County Council, contracting with SIB delivery entity</td>
</tr>
<tr>
<td>Delivery Partner</td>
<td>National Children’s Charity: Action for Children</td>
</tr>
<tr>
<td>Maturity</td>
<td>Up to 8 years</td>
</tr>
<tr>
<td>Outcome Metrics</td>
<td>Care placement days saved</td>
</tr>
<tr>
<td></td>
<td>Education, offending and behavioural outcomes tracked but not linked to payment</td>
</tr>
<tr>
<td>Target Returns</td>
<td>8-11% p.a.</td>
</tr>
<tr>
<td>Target Investors</td>
<td>Trusts, foundations and funds</td>
</tr>
</tbody>
</table>

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**Social Finance presentation, 2014**

[http://www.slideshare.net/RuralChris/social-impact-bonds](http://www.slideshare.net/RuralChris/social-impact-bonds)
Utah

MAKING EARLY EDUCATION PAY OFF?

GOLDMAN SACHS & J.B. PRITZKER hope to recoup their investment plus interest by enabling the Utah district to enroll more children in preschool and avoid future special education costs.

1. UNITED WAY: Intermediary between investors and district

2. $1 MILLION LOAN to expand Granite preschool program by 450-600 pupils

3. MONEY OWED $1.05 MILLION
   District uses savings to pay back investors $1 million, plus 5% interest.

4. IF INVESTMENT RESULTS IN SAVINGS

- 40% Goldman Sachs and Pritzker make profit
- 60% School reinvests into preschool program

IF DISTRICT CANNOT PAY BACK BY 6TH GRADE
Goldman Sachs and Pritzker assume the costs, and the Granite district is no longer in debt.

GRANITE SCHOOL DISTRICT estimates it will save $2,600 for every student who will not need special education or remedial services, as a result of receiving preschool.

—SUMITA BANERJEE, SEAN MEEHAN, AND VANESSA SOLIS
SOURCES: United Way of Salt Lake, Goldman Sachs, Rand Voices for Utah Children
ART: Stockphoto
Augsburg, Germany
<table>
<thead>
<tr>
<th>Initial SIB Pilot (3 schools)</th>
<th>SIB programme in 90 schools in Lisbon (~27,000 students) 2017</th>
<th>Junior Code Academy is embedded in school curriculum in Portugal (~400,000 students) Long-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 2015</td>
<td>Cost savings profile is more robust</td>
<td>Influencing public policy in education</td>
</tr>
<tr>
<td>Building stronger evidence</td>
<td>SIB dimension attractive for investors</td>
<td>Expectation that public sector will internalise the teaching of computer programming based on evidence</td>
</tr>
<tr>
<td>Get key stakeholders to “buy in” the SIB model</td>
<td>Learn from an outcome-based contract environment</td>
<td></td>
</tr>
<tr>
<td>Learn from an outcome-based contract environment</td>
<td>Wider outreach and impact</td>
<td></td>
</tr>
</tbody>
</table>

Content from presentation at OECD from Laboratorio de Investimento Social, [http://www.slideshare.net/OECDLEED/session3-jeronimo](http://www.slideshare.net/OECDLEED/session3-jeronimo)
**Numbers**

3 schools
Implemented in one class of each of the following schools: Aida Vieira, Barro do Anzador and São João de Deus.

65 students
Reached by Junior Code Academy.

50 weeks
Two-hour classes will be offered on a weekly basis from January 2015 to June 2016 during the school calendar.

€ 120 k
Upfront investment by Calouste Gulbenkian Foundation.

+ 10%
Baseline level of success for the following metrics:
- School performance at Portuguese and Mathematics;
- Logical thinking and problem solving skills (Compared to a control group).

**Process**

- Calouste Gulbenkian Foundation
- Junior Code Academy
- Nova School of Business and Economics
- Lisbon Municipality

**Evaluation**

- Define the baseline on logical thinking and problem solving skills in 3rd grade Progresso Matemática
- Assess the evolution on logical thinking and problem solving skills in 3rd grade Progresso Matemática
- Assess the school performance at Portuguese and Mathematics (4th grade national exam)

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 2014</td>
<td>Define the baseline on logical thinking and problem solving skills in 3rd grade Progresso Matemática</td>
</tr>
<tr>
<td>January 2015</td>
<td>Assess the evolution on logical thinking and problem solving skills in 3rd grade Progresso Matemática</td>
</tr>
<tr>
<td>April 2015</td>
<td>Assess the school performance at Portuguese and Mathematics (4th grade national exam)</td>
</tr>
<tr>
<td>September 2015</td>
<td></td>
</tr>
<tr>
<td>January 2016</td>
<td></td>
</tr>
<tr>
<td>April 2016</td>
<td></td>
</tr>
<tr>
<td>June 2016</td>
<td></td>
</tr>
</tbody>
</table>

2014 - 3rd Grade
2015 - 4th Grade
Examples of outcomes payments from existing SIBs

<table>
<thead>
<tr>
<th>Target Group</th>
<th>Outcome</th>
<th>Measured by</th>
<th>Max. Pay-out</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Yr 10/11</td>
<td>Improved behaviour at school</td>
<td>Letter from teacher</td>
<td>800</td>
</tr>
<tr>
<td></td>
<td>Stop persistent truancy</td>
<td>Confirmed by school data</td>
<td>1,300</td>
</tr>
<tr>
<td></td>
<td>First NQF level 1 qualification</td>
<td>Certificate</td>
<td>700</td>
</tr>
<tr>
<td></td>
<td>First NQF level 2 qualification</td>
<td>&quot;</td>
<td>2,200</td>
</tr>
<tr>
<td>School Yr 12/13</td>
<td>First employment incl. training</td>
<td>Letter from employer</td>
<td>2,600</td>
</tr>
<tr>
<td></td>
<td>Sustained employment (26 wks)</td>
<td>&quot;</td>
<td>1,000</td>
</tr>
<tr>
<td></td>
<td>First NQF level 1 qualification</td>
<td>Certificate</td>
<td>700</td>
</tr>
<tr>
<td></td>
<td>First NQF level 2 qualification</td>
<td>&quot;</td>
<td>2,200</td>
</tr>
<tr>
<td></td>
<td>First NQF level 3 qualification</td>
<td>&quot;</td>
<td>3,300</td>
</tr>
<tr>
<td></td>
<td>Completion of ESOL course</td>
<td>Certificate</td>
<td>1,200</td>
</tr>
<tr>
<td>Age +18</td>
<td>First NQF level 3 qualification</td>
<td>&quot;</td>
<td>3,300</td>
</tr>
<tr>
<td></td>
<td>Starting NQF level 4 qualification</td>
<td>&quot;</td>
<td>2,200</td>
</tr>
<tr>
<td></td>
<td>First employment incl. training</td>
<td>Letter from employer</td>
<td>2,600</td>
</tr>
<tr>
<td></td>
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<td>&quot;</td>
<td>1,000</td>
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<tr>
<td></td>
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<td>Certificate</td>
<td>1,200</td>
</tr>
<tr>
<td>Target Group</td>
<td>Outcome</td>
<td>Measured by</td>
<td>Max. Pay-out</td>
</tr>
<tr>
<td>--------------</td>
<td>---------</td>
<td>-------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Age 14-15</td>
<td>Improved attitude to school</td>
<td>Letter from teacher</td>
<td>700</td>
</tr>
<tr>
<td></td>
<td>Improved attendance at school</td>
<td>School data – levels to be in line with average</td>
<td>1,400</td>
</tr>
<tr>
<td></td>
<td>Improved behaviour at school</td>
<td>Letter from teacher</td>
<td>1,300</td>
</tr>
<tr>
<td></td>
<td>QCF accredited Entry level qualification</td>
<td>Certificate</td>
<td>900</td>
</tr>
<tr>
<td>Age +16</td>
<td>Improved attitude towards school/education</td>
<td>Letter from teacher</td>
<td>700</td>
</tr>
<tr>
<td></td>
<td>QCF accredited Entry level qualification</td>
<td>Certificate</td>
<td>900</td>
</tr>
<tr>
<td></td>
<td>Level 1 NQF or equivalent</td>
<td>“</td>
<td>1,100</td>
</tr>
<tr>
<td></td>
<td>Level 2 NQF or equivalent</td>
<td>“</td>
<td>3,300</td>
</tr>
<tr>
<td></td>
<td>Level 3 NQF or equivalent</td>
<td>“</td>
<td>5,100</td>
</tr>
<tr>
<td></td>
<td>First employment with training</td>
<td>Letter from employer</td>
<td>5,500 (3,500 after 13 weeks, additional 2,000 after 26 weeks)</td>
</tr>
</tbody>
</table>
Other SIBs have approaches including:

- Repayment on a sliding scale for the overall number of participants in the group who achieve a goal at the end of the project (e.g. children remaining with mother for 6 months)
- Repayment of a set amount if more than a set number of participants achieve a goal by the end of the project (e.g. in work for more than 9 months by end of project)
- Incremental repayment of principal, and then interest, based on percentage improvement in overall rates of participants achieving set goal compared to a control group (e.g. employment rates one year after project end)
- Different interest rates for different ‘improvement percentages’ in outcomes for participants, weighted across indicators, at end of project (e.g. performance improvement % overall of number of entries into care, children protection helpline reports, and assessment conducted per family)
- As well as examples like the DWP SIB where there are set amounts to be repaid at different stages of the project for individuals’ achievement on a range of outcomes.
What outcomes are investors interested in?

**Bridges Ventures SIB Fund**
- A clear social mission
- A strong management team
- The ability to deliver highly impactful social interventions
- The ability to robustly monitor and proactively manage the social outcomes delivered by these programmes

**Impetus PEF**
- Focus is improving educational attainment and employability skills for 11-24 year olds from disadvantaged backgrounds
- Invest and have acted as an intermediary receiving investment from BSC

**Big Issue Invest**
- Priorities are:
  - Jobs, education and training
  - Health and social care
  - Social and financial inclusion
  - Community development
  - Community-driven environmental initiatives

**Esmee Fairbairn**
- Social and emotional development of disadvantaged CYP
- The rights of vulnerable CYP
- Addressing the root causes of low educational attainment and challenging behaviour
- Civic and political participation for YP under-represented in decision-making (as well as wider goals)

**Friends Provident Foundation**
- Focuses on “exploring the role of money and financial systems as a force for social good”
- Current Building Resilient Economies programme aims to “contribute to a more resilient, sustainable and fairer economic system” through systems change and local economic resilience

**Paul Hamlyn Foundation**
- Mission is “to help people overcome disadvantage and lack of opportunity, so that they can realise their potential and enjoy fulfilling and creative lives.”
- One of six key strategic aims is “to support the development and growth of organisations investing in young people and positive change”
Some examples

Social Impact Bonds already being used in the UK
Just a few examples:
• Supporting young homeless people into education, employment, accommodation
• Improving foster care
• Reducing social isolation & loneliness in older people

The UK leads the world in SIB development
Wider social investment

Other types of social investments have helped a huge range of organisations and projects, such as:

- Enterprises that support training and employment opportunities for disadvantaged young people, e.g. ‘Auto22’, a garage
- Expansions of childcare and family support providers, e.g. LEYF and 4Children
- Enabling Commonweal Housing to buy properties to test a cross-subsidy model to provide sustainable, free accommodation and support to those that have no recourse to public funds as well as families with children in need, and enable them to transition to more stable housing
- Expansions of access to GLL’s community leisure facilities through a charity bond
- Development of ‘Hub Pharmacy’, to refit a chain of community-focused pharmacies to provide additional preventative services such as smoking cessation, weight-loss and minor ailments...
- Renewable energy and property projects supported by community shares and loans
- Development of services offered by ‘Big White Wall’, an online mental health support platform

For example!
Sources of info & support

Big Society Capital, including funds currently open to organisations looking for investment
http://www.bigsocietycapital.com/open-funds


Knowhow Non-profit ‘Social Investment Made Simple’ http://knowhownonprofit.org/funding/social-investment-1

Access, the foundation for social investment http://access-socialinvestment.org.uk/ - provide support for charities and social enterprise at early stage of development

Cabinet Office Centre for SIBs ‘Knowledge Box’ http://data.gov.uk/sib_knowledge_box/home

Commissioning Better Outcomes and Social Outcomes Funds https://www.biglotteryfund.org.uk/sioutcomesfunds

Directory of SIB Service Providers http://sioutcomesfunds.socialfinance.org.uk/directory-sib-service-providers