

SOCIAL IMPACT BONDS

AND THE POTENTIAL FOR OUTCOMES BASED GOVERNMENT

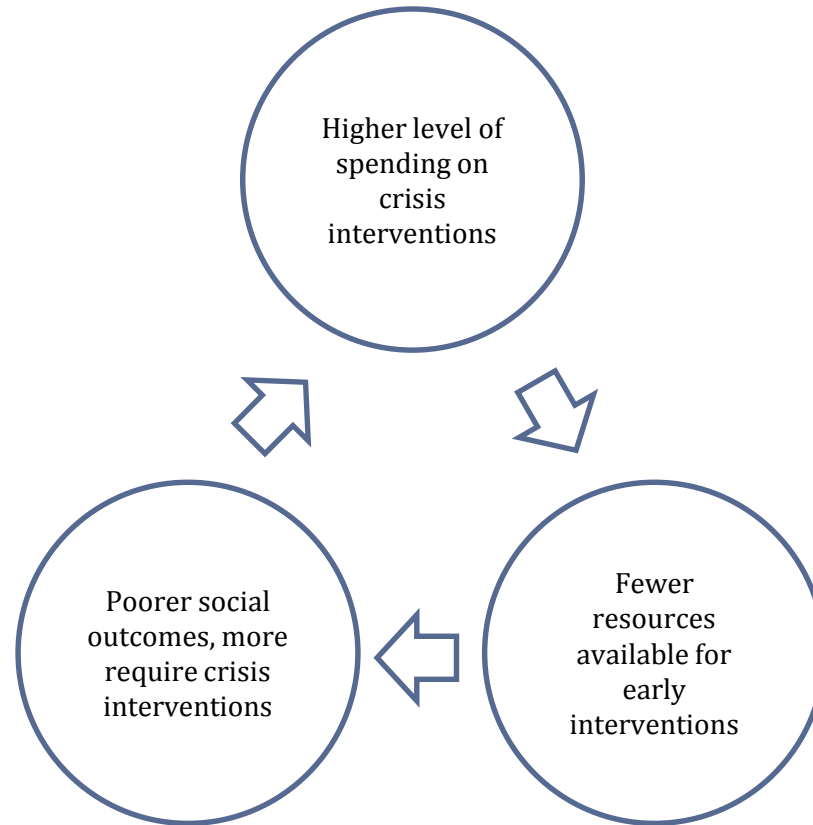
SEPTEMBER 2016

Toby Eccles, Founder

toby.eccles@socialfinance.org.uk

Twitter: [@tobyecc](https://twitter.com/tobyecc) [@socfinuk](https://twitter.com/socfinuk)

● ■ THE SOCIAL IMPACT BOND WAS DEVELOPED TO ADDRESS A RECURRING PROBLEM: CONSISTENT UNDER-INVESTMENT IN PREVENTION 2

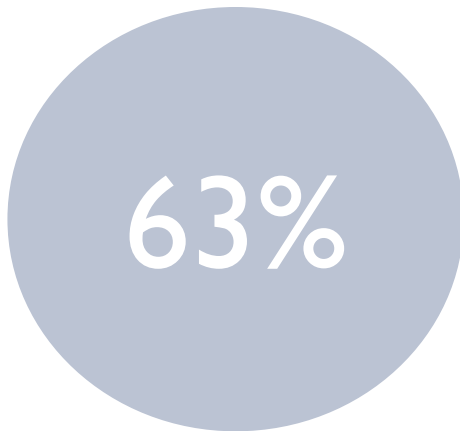


* CAN THE LONG TERM SAVINGS FROM AVERTING POOR OUTCOMES BE USED TO INVEST IN PREVENTATIVE SERVICES?

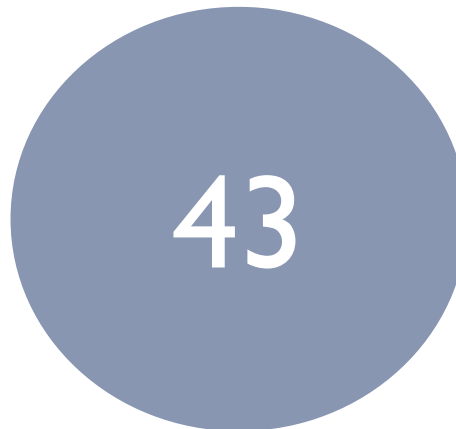


CASE STUDY: RE-OFFENDING RATES IN THE UK

RECONVICTION RATE
WITHIN 1 YEAR



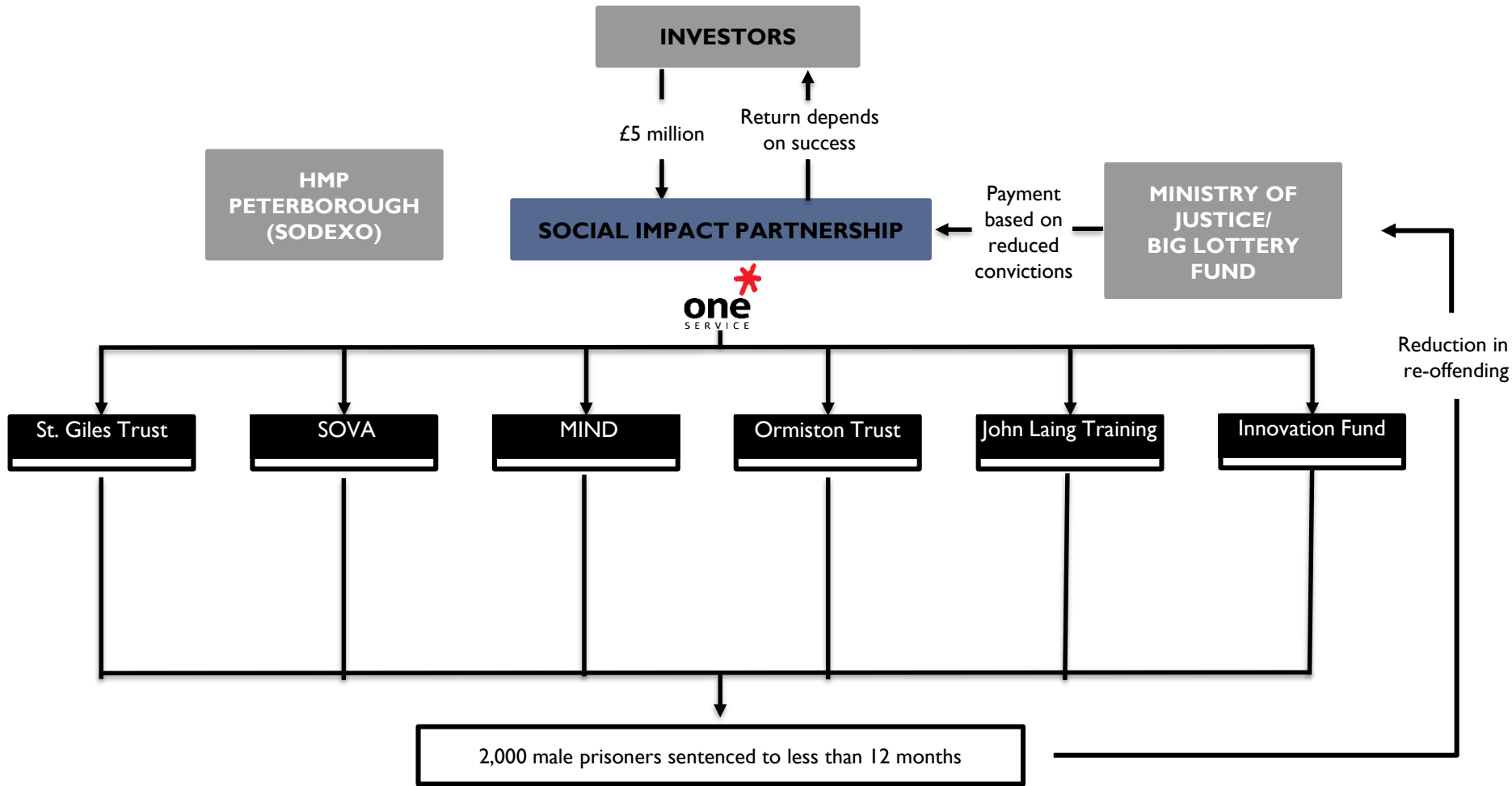
AVERAGE NUMBER OF
PREVIOUS OFFENCES

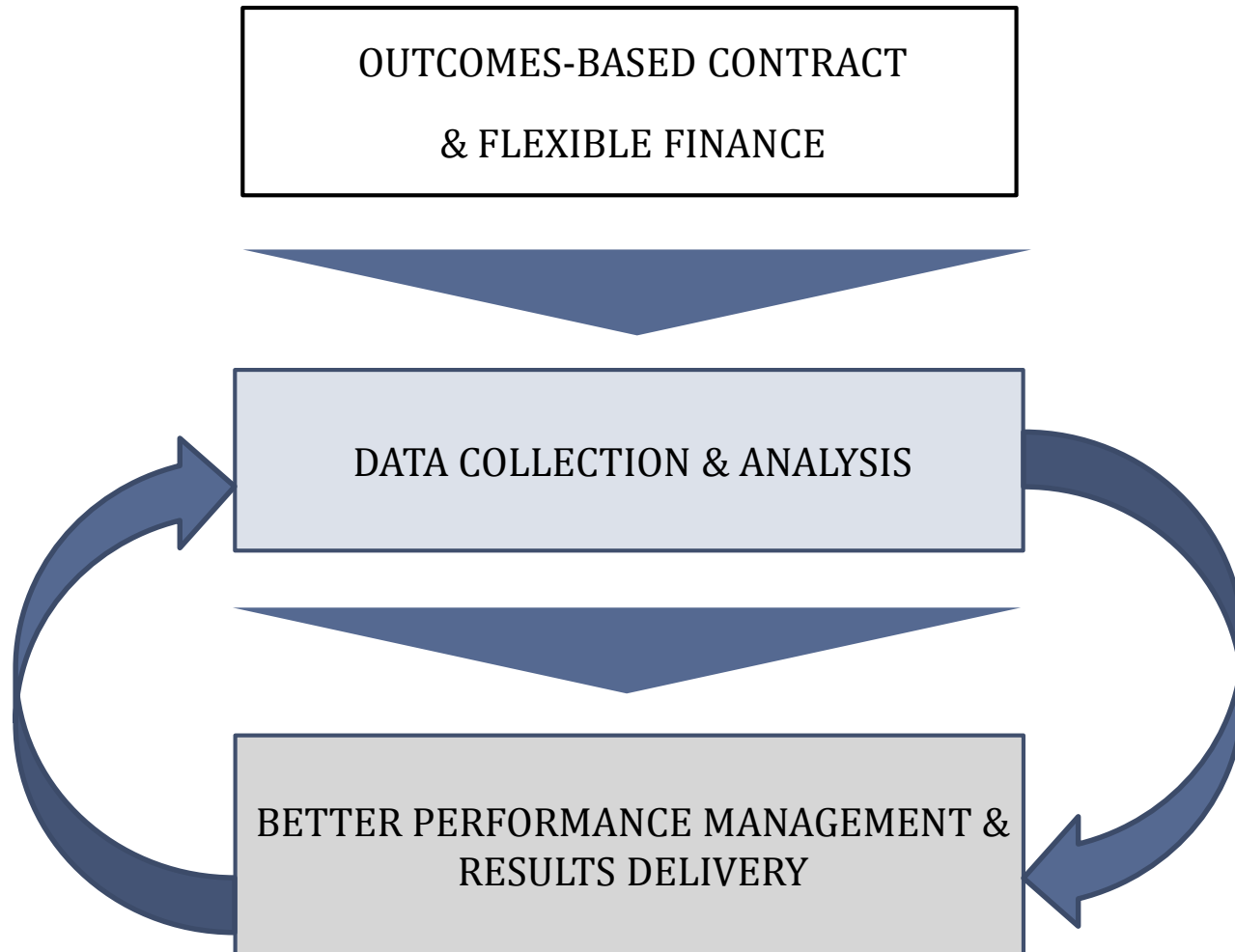


AVERAGE NUMBER OF
PREVIOUS JAIL TERMS



THE SOCIAL IMPACT BOND LINKS FINANCIAL RETURNS DIRECTLY TO THE DELIVERY OF A SOCIAL OUTCOME





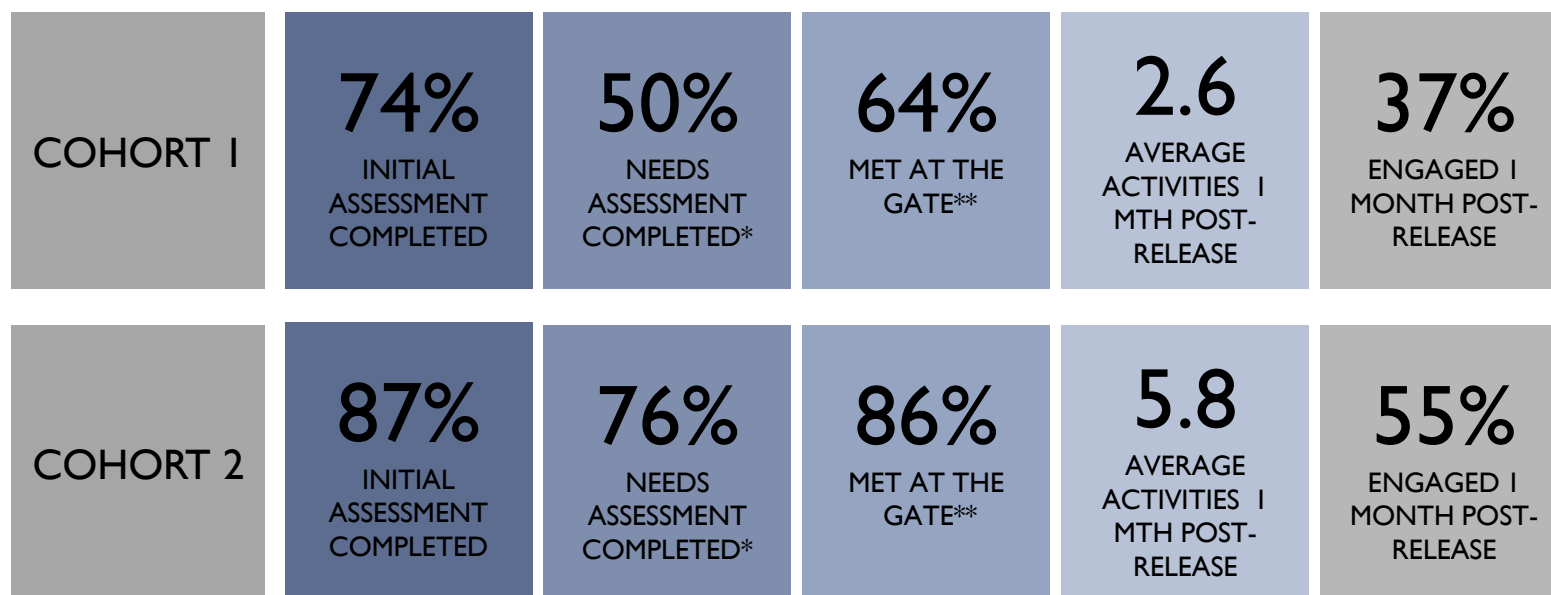
HOW DO SOCIAL IMPACT BONDS SUPPORT DELIVERY

6

A strong incentive to introduce the best evidenced approaches and capacity for effective delivery

The development of strong systems for monitoring key indicators of effective operational performance

Flexibility to refine and adapt approaches

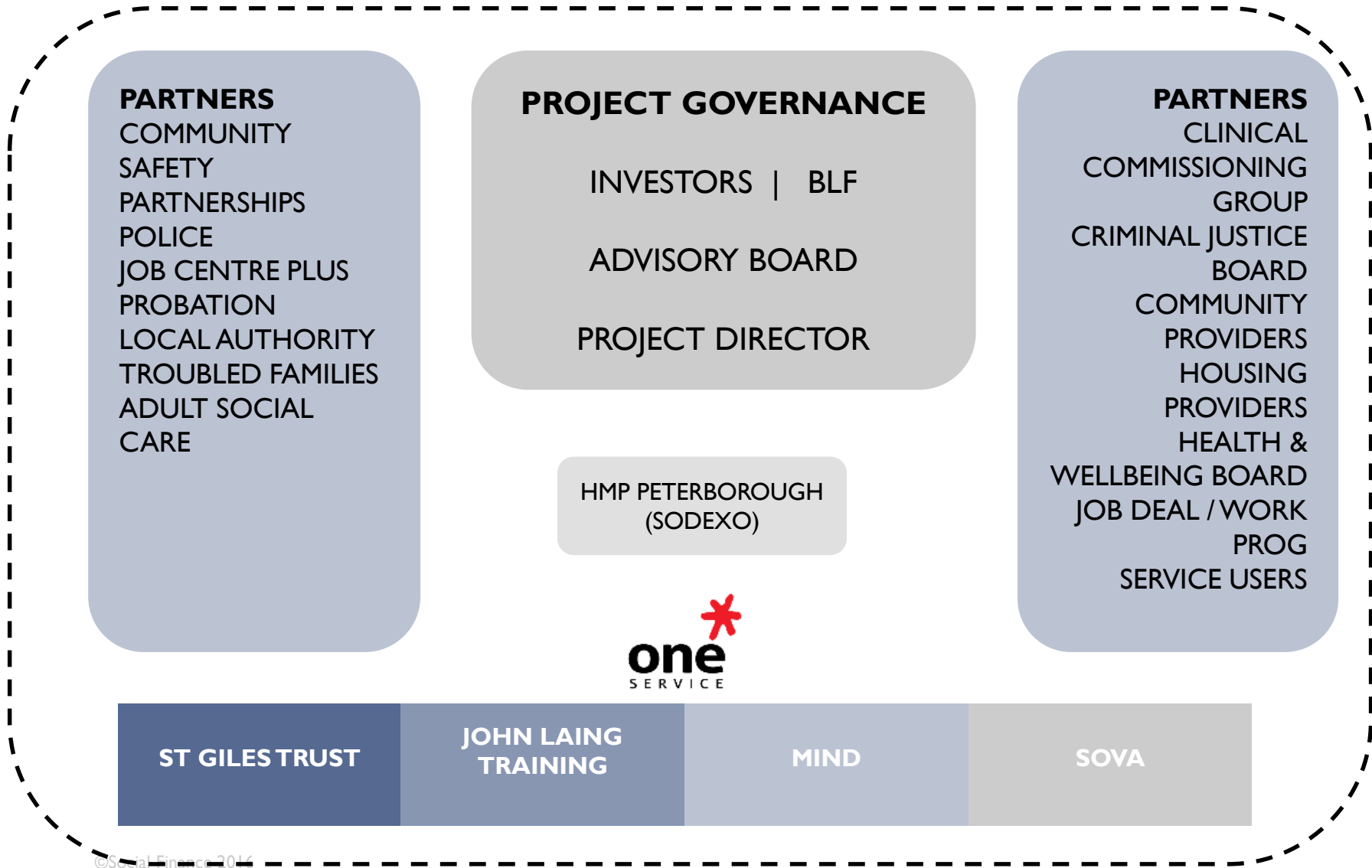


All data is rounded

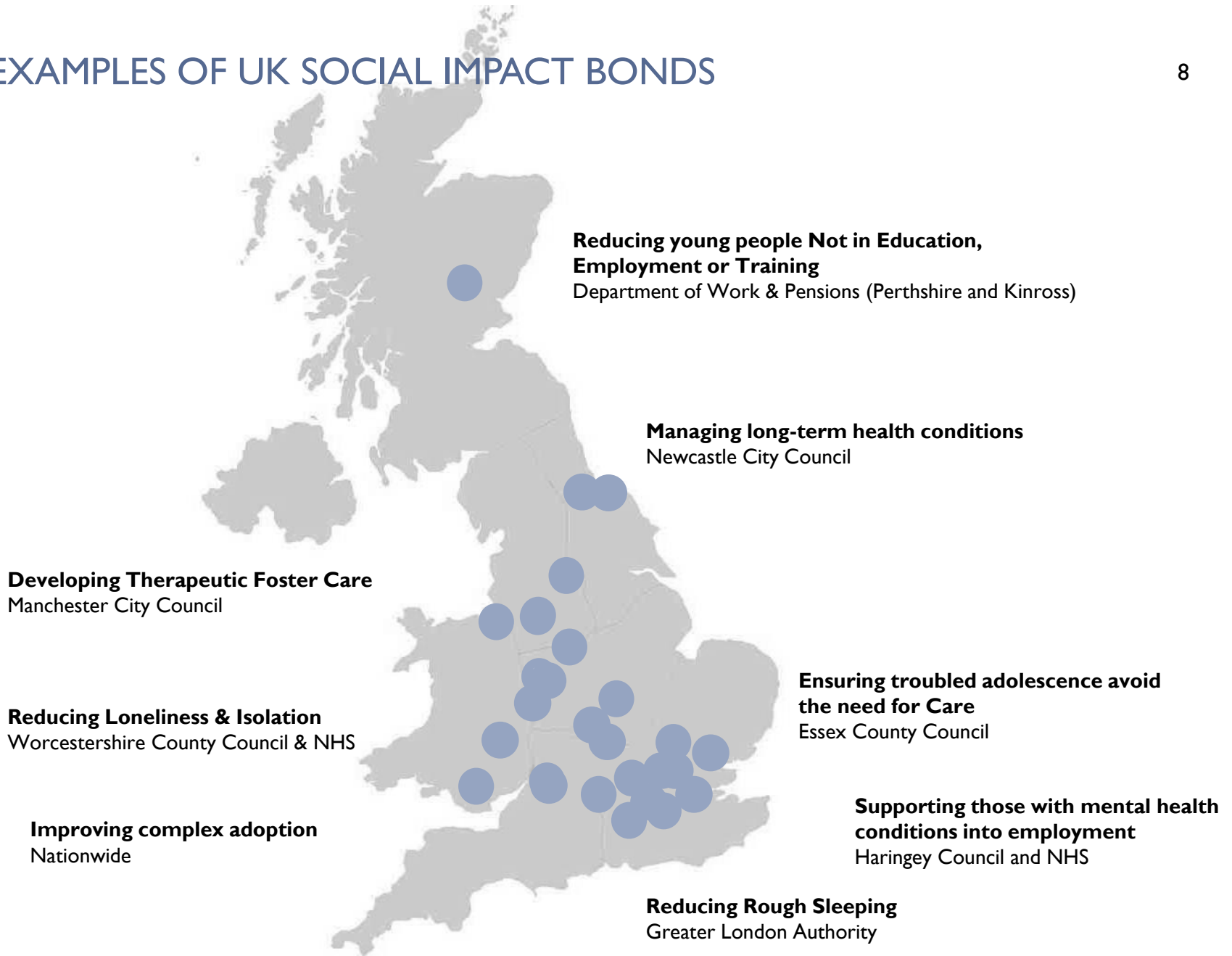
* Recording of Needs assessment completion only became operational in Nov 11. The needs assessment figure is calculated from that date forward. Clients who did not have a needs assessment and did not have an initial assessment are excluded from this metric.

** Meganexus only became fully operational in January 2011. Prior to this date, information was recorded on Excel. The met at the gate figure is calculated from Jan 11 onwards.

FOCUS ON OUTCOMES ALLOWS A COMPLEX WEB OF RELATIONSHIPS TO FORM

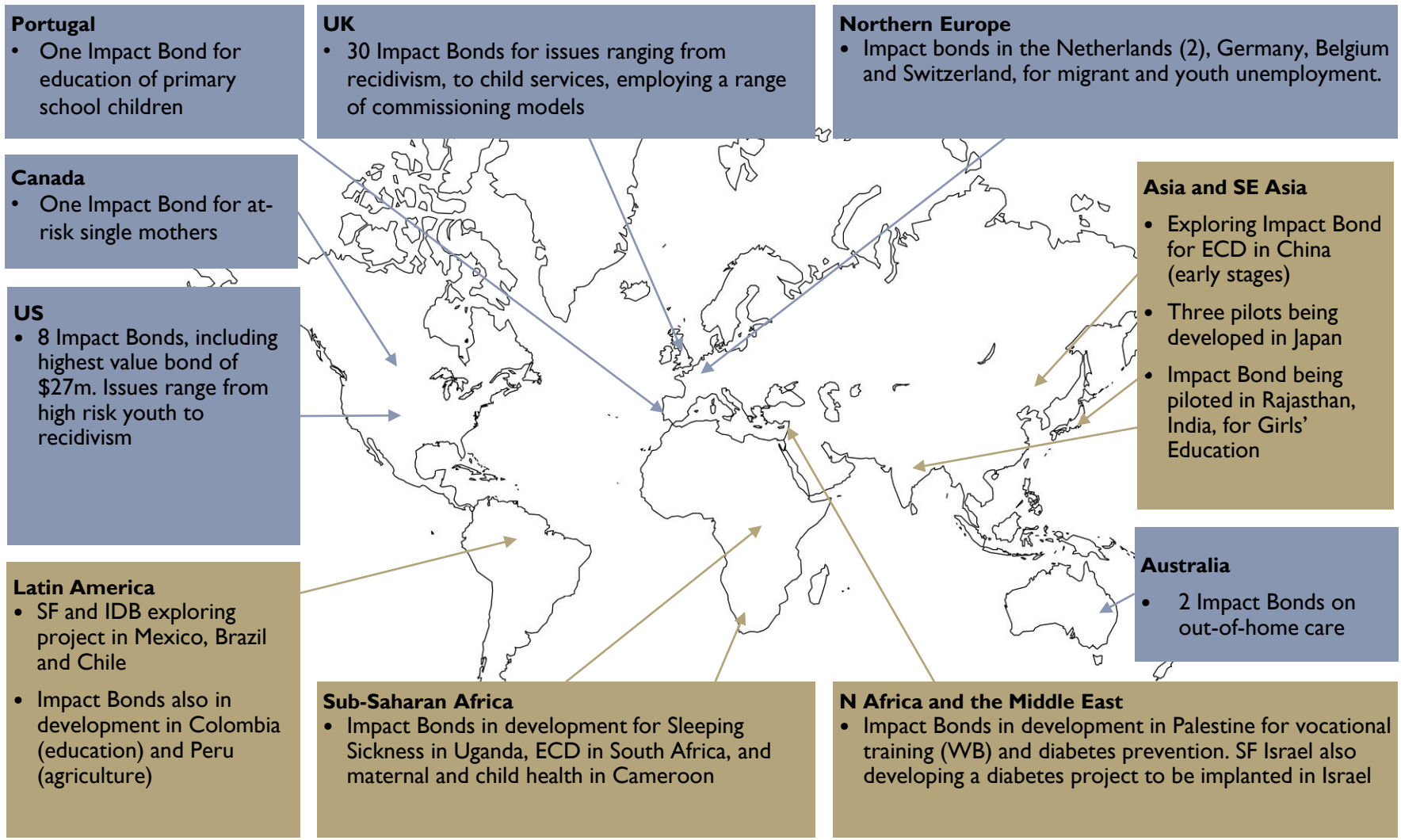


EXAMPLES OF UK SOCIAL IMPACT BONDS



AND ARE GROWING ACROSS A NUMBER OF COUNTRIES

Since Peterborough, 60 Social Impact Bonds raising \$216m have been launched. There are at least 100 in development.



YOUTH ENGAGEMENT



CHILDREN ON THE EDGE OF CARE



HOMELESSNESS/ROUGH SLEEPERS



RECIDIVISM



LONELINESS AMONG THE ELDERLY



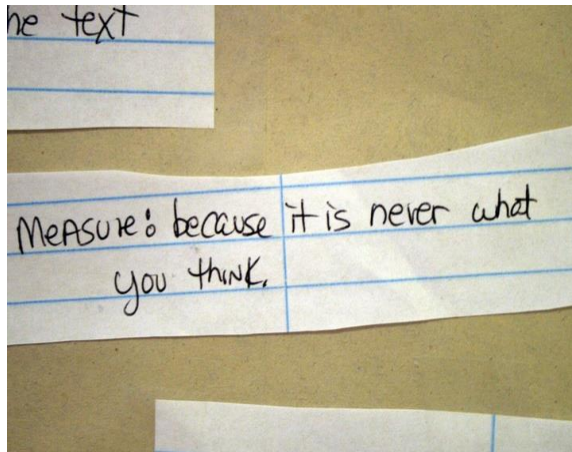
IMPROVING EARLY CHILDHOOD



HOW SIBS ADD VALUE



FLEXIBILITY



RIGOUR



PARTNERSHIP



CLIENT-CENTRED



BREAKING SILOS



INNOVATION

- Pioneered by charitable foundations seeking to use their endowments to help achieve their social mission in new ways and develop more sustainable services
- Investment has grown in parallel to growth of social enterprises and these enterprises need for capital
- Now characterised by a range of sources of investment: charitable foundations, unclaimed assets, individuals (including through new tax incentives), some institutional investors such as local authority pension funds, and an increasing number of specialist funds
- Alongside funds an important social investment 'infrastructure' is developing of expertise in fields such as financial analysis of socially focused business cases and impact measurement

Interest in scaling a particular intervention or supporting a specific community

Desire to increase government efficiency

Desire to promote collaboration, innovation and build new markets

Interest in shifting funding toward prevention

SELECTED SIB INVESTORS

The central box contains the following logos and names:

- King Baudouin Foundation
- Esmée Fairbairn FOUNDATION
- BARROW CADBURY TRUST
- the Tudor trust
- Lankelly Chase Foundation
- Rockefeller Foundation
Innovation for the Next 100 Years
- Bridges Ventures
- BIG SOCIETY CAPITAL
Transforming social investment
- The Getty Foundation

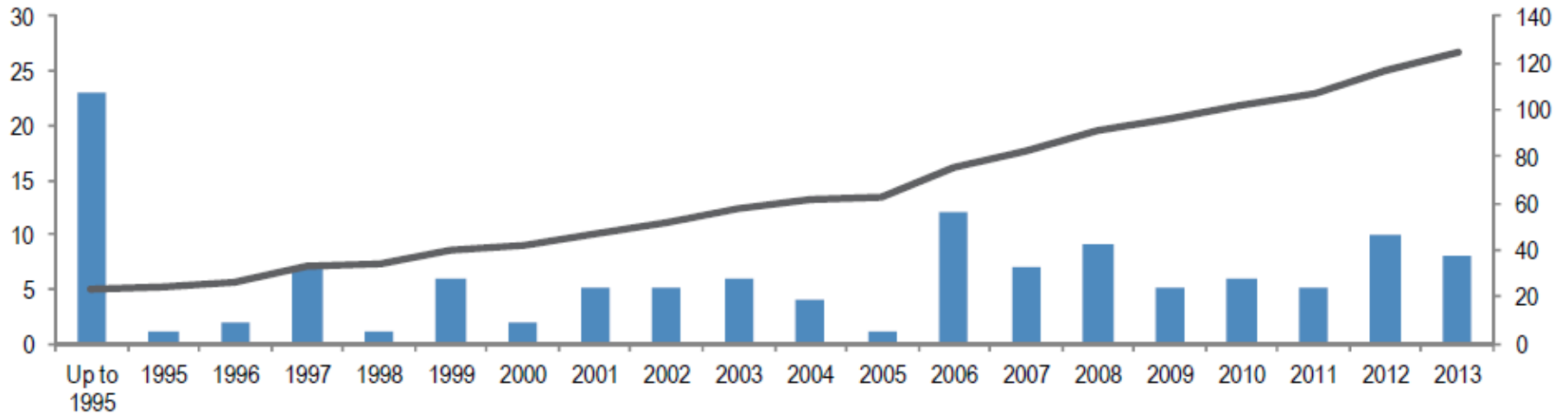
Focus on improving outcomes around a particular social issue

Desire to invest in effective social programmes



Figure 14: Year of first impact investment

Left axis bar chart: Number of organizations that started investing that year; Right axis line graph: Cumulative



Source: GIIN, J.P. Morgan.

● ■ WHAT ARE THE KEY RISKS?

- Failure to agree outcome metrics, value of outcomes (business case) and attribution
- Failure to negotiate procurement and contract in a timely and collaborative manner
- Referrals – investors develop service but public services fail to refer
- Delivery - culture shift for providers
- Benefits realisation – acute services are not decommissioned



WHAT WOULD MORE OUTCOMES BASED GOVERNMENT LOOK LIKE?

	Present	Future?
Public Accountability	<ul style="list-style-type: none">• Fiduciary focus• How much were they paid?	<ul style="list-style-type: none">• Outcomes focus• How much impact did they have?
Procurement	<ul style="list-style-type: none">• Over specified• Focus on competition• Track record built on price	<ul style="list-style-type: none">• Invest to achieve outcomes• Co-produce• Track record built on outcomes
Contract Management	<ul style="list-style-type: none">• Process driven• Holding orgs to contract• Ensure things stay the same	<ul style="list-style-type: none">• Data driven• Focus on learning• Ensure things improve
Data	<ul style="list-style-type: none">• Finance and impact separate• Data used for reporting not insight	<ul style="list-style-type: none">• Integrated data used to:<ul style="list-style-type: none">• Understand cost of outcomes• Improve decision making
Culture	<ul style="list-style-type: none">• Bureaucratic and rule bound• One size fits all• Low trust of outside providers	<ul style="list-style-type: none">• Focused on delivery• More adaptable• Tailored to needs of service users

The first Social Impact Bonds are now starting to report, with generally positive outcomes and evaluations.

Analysis of the first six years of SIBs available on Social Finance website

Alongside a database of all SIBs launched available at:

www.socialfinance.org.uk/database/





THANK YOU