



# **Social Impact Bonds Consultation Report**

## **– Questions from the Field**

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## Introduction

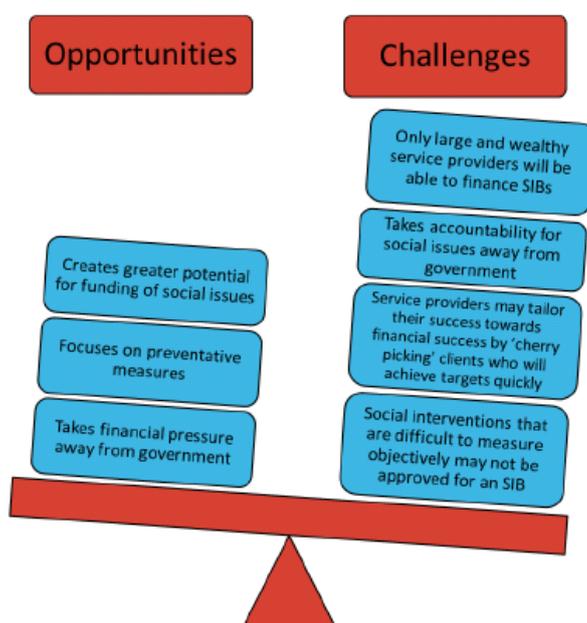
Shelter SA is the peak body for housing in South Australia. Shelter SA's vision is for every South Australian to have an affordable place to call home. Homelessness is directly related to a shortage in the supply of affordable and social housing, that falls short of the level of need amongst people living on low incomes. Unfortunately, Shelter SA must also pay attention to rising levels of homelessness while this situation remains.

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*Social Impact Bonds (SIBs) are a new and exciting service funding concept in South Australia, in Australia and globally that have captured the interest of a wide range of stakeholders*

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Homelessness has been identified by the South Australian Government as one of four focus areas for the State and Shelter SA has followed the introduction of SIBs with interest. Discourse around SIBs is predominantly led by State Government in South Australia. In 2014, Shelter SA hosted an Adelaide University Arts Intern providing a research brief to the student to critically examine what is currently known about SIBs and to identify the opportunities and challenges they present from the community services perspective. The review findings confirmed that there is no substantial theoretical basis upon which SIBs are premised and there is a lack of objective, high quality evidence to support the development and implementation of the SIB model.



The report is available [here](#) and a summary of the key challenges and opportunities presented by SIBs, from Shelter SA's perspective are as follows.



## Shelter SA Critical Review - Recommendations

State Government must seek to commission a second, South Australian based intermediary to provide competition and accountability to the current Social Ventures Australia (SVA) sole provider status. Setting up a qualified panel of intermediaries for SIBs in SA will require resources for capacity building and it is important that this happens in the early stages of SIBs in SA to ensure a choice of intermediary services into the future and stronger marketplace for the medium and long term.

State Government should aim to provide support to smaller NFPs to develop SIB intervention proposals and plans that have a significant level of potential. Support could involve access to legal opinion, intermediaries with knowledge of the sector and new staff members and establish a communication strategy to further discussion and build knowledge capital between interested and active parties for SIBs.

It is important the State Government does not set the targets and standards for SIBs so high that NFPs are set up to fail or that reaching ROI benchmarks would require NFPs to select only participants who are most likely to succeed. Such “cherry picking”, further marginalises the most vulnerable citizens and creates a cost intensive cohort of people with high and complex needs. The onus of this requirement also falls upon NFPs to advocate for realistic and accurate outcome measures which acknowledge factors that may contribute to results but do not fit easily into the metric.

State Government should work with NFPs and intermediaries to determine and include types of measurement that are not objectively measurable by SROI for certain SIB schemes. This will allow for a wider scope of issues to be accommodated in SIB projects, especially in sectors such as homelessness where in the early stages of an intervention, objective targets such as employment may not be realistic. This has already been demonstrated by the Greater London Authority SIB where ‘health and wellbeing’ was listed as a target and the results were based on individual interviews and not numerical data.

Shelter SA held a sector consultation in Adelaide on 12 March 2015 and the aims of the consultation were to:

- Engage the sector in dialogue and discussion about SIBs;
- Gauge levels of interest ;
- Test levels of knowledge;
- Identify capacity building directions and needs;
- Validate the findings of the Shelter SA critical review.

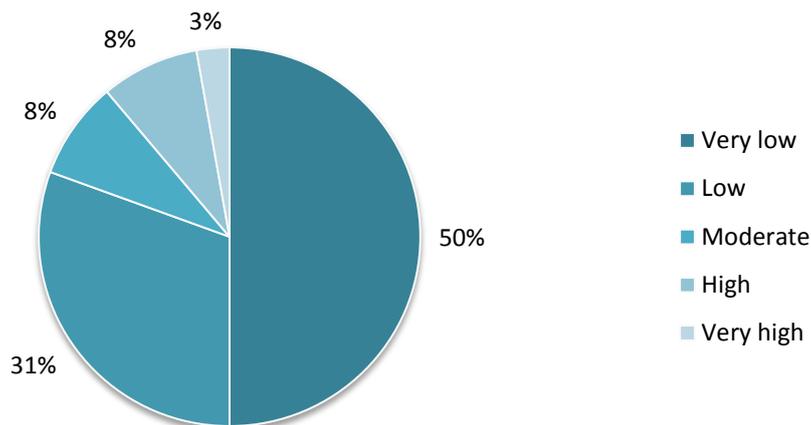
There was a high level of interest in attending the consultation event which was over-subscribed and a waiting list commenced after 50 participants registered to attend.



## Activity 1 – What is your level of understanding of SIBs?

At the beginning of the consultation, participants were asked to introduce themselves to their tables and self-rate their level of understanding of SIBs. 89% of participants rated their knowledge level as low or very low, with only 11% rating their knowledge level as high to very high (see graph below). Participants with a high level of knowledge indicated they were very willing to be more directly involved in working with Shelter SA to develop ideas and sector thinking about SIBs.

### Beginning level of SIB understanding



## Activity 2 – Table Discussions

At their table, participants discussed what they knew about SIB's and shared questions, with table facilitators feeding the information from this activity back to the larger group. A wide range of topics were canvassed during this activity demonstrating the general lack of knowledge about SIBs and how they might operate in South Australia. Other areas discussed included the clear definitions of roles and responsibilities of the stakeholders; tensions between traditional ways of funding not for profits; attaining good client outcomes and a for-profit model of financing community services. Some key themes include the following:

- A lack of knowledge and certainty about SIBs generally has the potential to create trepidation and negative attitudes towards them, and may contribute to feelings of distrust of 'for-profit' models of funding community services.
- The risk to the sector and other stakeholders requires a better explanation and communication from State Government.
- Questions about the ideal size or scale of an SIB project; the ideal cohort of clients; eligibility for clients and community services; the lack of understanding of how projects will be funded; outcomes measured and again, roles and responsibilities of partners.
- Participants accept some aspects of SIBs at face value without opportunities to critically reflect upon them and discuss further amongst peers.



### Activity 3 – Presentation, Issues, Advice, Questions

The Shelter SA critical review report was summarised and presented as a brief overview to the group. Tables were then asked to hold a second discussion guided by the question “how has your understanding of SIBs changed after the preliminary discussion and presentations?”. Participants were asked to record issues, advice and questions on post-its and group them together on the wall, to share with the larger group. Participants were then invited to view the responses and vote on the issues, advice and questions which they felt should be given the highest priority using red dot stickers.

#### Advice - Key Themes - Measurement

- The measurement of social impact is a critical issue and was cited consistently by all tables through the consultation.
- Responsibility - Under an SIB model, it was unclear to participants where responsibility for vulnerable citizens lies. There was a sense that Governments are somehow abrogating their responsibilities for vulnerable citizens and the risks involved in funding and providing community services. This point of view must be addressed by State Government moving forward.
- The majority of participants agreed that the sector requires a much better understanding of SIBs to participate in them and that this could be achieved through a combination of more opportunities to meet with peers, enter into discussions with other stakeholders about their issues and concerns and achieve a clearer understanding of the distinct roles and responsibilities of all stakeholders.
- Some participants said that capacity building in the NFP sector around SIBs must be a vital aspect of the community services sector’s participation.



## Questions – Key Themes – More questions raised than answered

- Non-measurable areas – A majority of participants expressed concerns about client outcomes that are difficult or impossible to measure using objective data. This theme reflects sometimes small but vitally important changes that occur in the lives of vulnerable people that greatly benefit their health and well-being but may not be directly attributable to the intervention of an SIB. For example, a reduced reliance on hospital emergency departments does have a cost saving to the health system and State Government but may be difficult to link to the intervention. Improvement in the management of a chronic condition may similarly benefit the person, but have no observable cost-saving to the community.
- Participants raised questions about the size and scale of SIB projects in relation to viable investments and were unsure as to what factors would influence this.



- Some participants said that they felt this corporate investment model may detract from the client's best interests and asked whether it is possible to guarantee that the focus remain on the quality social outcome from a client perspective.
- Participants asked if SIBs could be conducted without government involvement.

## Issues – Key Themes – Measurement & Risk

- Measurement was again raised as an issue by the majority of participants, one of the sticky notes read, "not everything that is important for the client can be measured and not everything that can be measured is important for the client". There appears to be a level of discomfort and tension between the combination of a corporate investment model and a community service which must be more clearly defined and addressed as part of the learning process for the sector.
- Risk – one participant said that risk would be held by community service providers participating in SIBs but several participants said that risk should be shared between government and



investor. This issue requires further opportunity for debate and discussion with clear information to be communicated to all stakeholders.

- Small community service providers risk being excluded from innovative projects due to the capacity and range of skills and resources required to initiate an SIB project. Participants said that the loss of niche service providers would be detrimental to the sector and to vulnerable citizens because of their capacity to work closely with local communities and very specific social issues.



- Participants expressed concerns that SVA is the only intermediary in Australia and some participants said that they would like to see a South Australian intermediary who operates on a not-for-profit basis for the benefit of the community and community services sector. It does not appear to be well understood how South Australia will be protected from possible conflicts and cost pressures introduced by a sole provider intermediary arrangement.

## Activity 4 - Evaluation

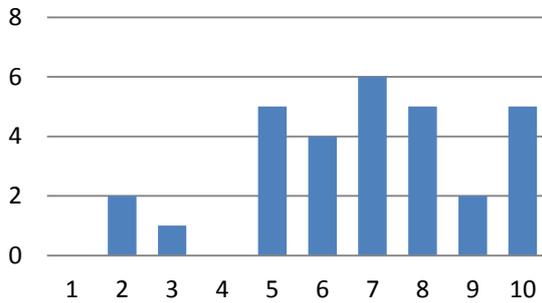
Participant evaluation of the consultation showed high levels of satisfaction and positive support for further consultation and opportunities to learn more about SIBs. The majority of participants stated that their knowledge of SIBs was increased at the end of the consultation and that they would recommend the consultation content and process to others.

## Other Key Evaluation Points

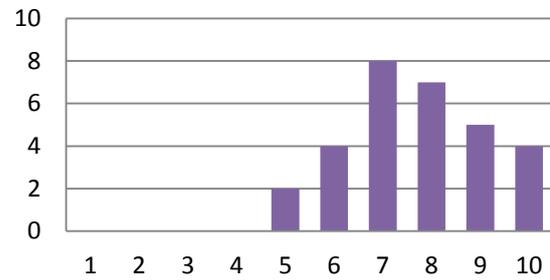
- Interest in SIBs and homelessness is high.
- Session comments included support for more workshops to increase knowledge and an easily accessible and understood information program.
- Several of the 11% who self-rated knowledge level 'high' to 'very high' also showed eagerness and willingness to be more directly involved.



## Knowledge of SIB's increased



## I would recommend this consultation



**Table 1**

**1 = very low SIBs knowledge**

**Table 2**

**1 = not recommending**

## Discussion

The opportunities and challenges identified in the Shelter SA critical review of SIBs were validated by participants throughout the consultation event. The findings of Shelter SA's work to date clearly indicate areas where government and non-government leadership, communication and engagement around SIBs is needed to engage the sector in current processes and to build up the evidence-base for SIBs.

Adding to the lack of theory behind SIBs, it appears to be a foreign concept that is far removed from community services and quality client outcomes. A consistent message during the consultation points to a position for the client and the wider community that is currently too abstract. The absence of a clear philosophical position and principles to enshrine the identity and rights of citizens in SIBs is a weakness that must be addressed by all stakeholders.

It appears that there is not a shared understanding or common language between the diverse stakeholder groups required to initiate SIBs – government, investors, community services and intermediary. The roles and responsibilities of each stakeholder were not clearly enough defined to be well understood by participants. This deficiency is unsurprising given the range of skills, experiences and objectives of each stakeholder but must not be overlooked to progress SIBs.

Many community service workers require further education, information and opportunities to ask questions and discuss issues with peers, government and other stakeholders in order to fully embrace SIBs.

## Conclusion

Shelter SA acknowledges the contribution of all participants in the SIB consultation and looks forward to receiving feedback from a wide range of stakeholders to inform next steps in this



important area for the community services sector and State Government. Shelter SA will seek to engage all stakeholders, including State Government, to progress issues, questions and advice utilising a collaborative approach.

