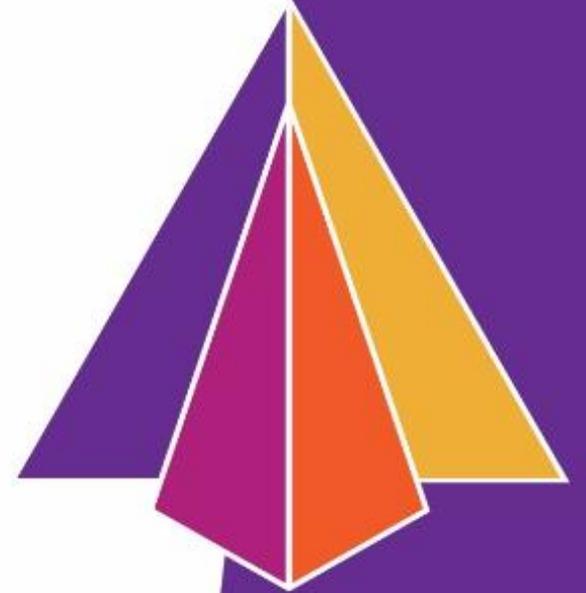


Navigating social impact investing:

The story of COMPASS, Australia's largest social impact bond

Bridget Weller, Strategic Projects Manager, Anglicare Victoria

COMPASS



COMPASS:

Better outcomes for young people leaving care

Providing a tailored package of supports including housing, key support workers, and specialist care, COMPASS has a strong preventative focus. It will deliver improved housing, health and justice outcomes and provide a positive pathway to independence.

COMPASS' has successfully raised \$14.2 million dollars from investors, making it Australia's largest social impact bond to date. This is the result of sustained commitment by consortia partners Anglicare Victoria and Vincentcare Victoria, supported by the Victorian Government, KPMG, Corrs Chambers Westgarth and the Commonwealth Bank.

This presentation discusses some of the lessons learnt and, based on the COMPASS experience, reflects on what may lay ahead for social impact investing in Australia.



Social Impact Bonds: Overview

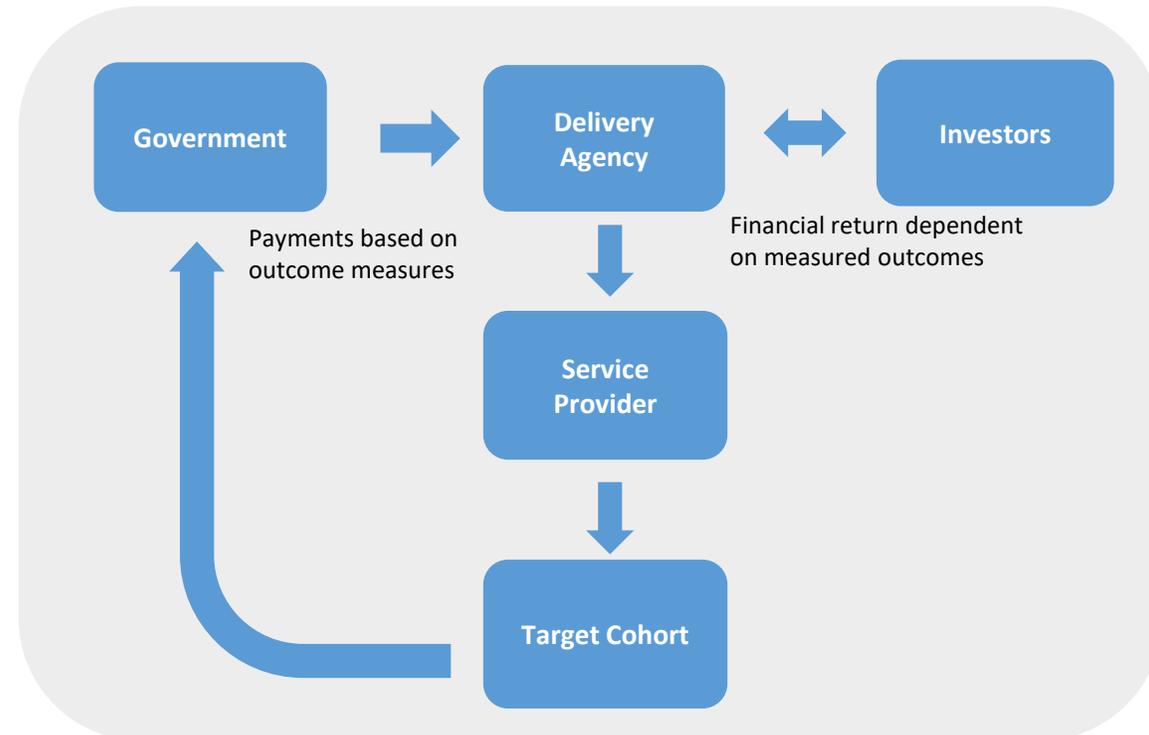
What are Social Impact Bonds?

- A form of outcomes-based funding
- Investor returns paid when an agreed social benefit outcome is achieved
- Investors returns generated by government's avoided costs (savings)

Why are they used?

- Access to new funding sources
- Rewards demonstrated efficacy
- Risk sharing for innovation

How are they structured?



Leaving care now: a 'hard landing'



Homelessness

- An estimated 39% of care leavers become homeless



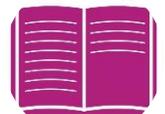
Health

- Poorer physical health than the general population; poor access to some health services



Offending

- Estimated as being 60 times more likely to be in detention than the general population

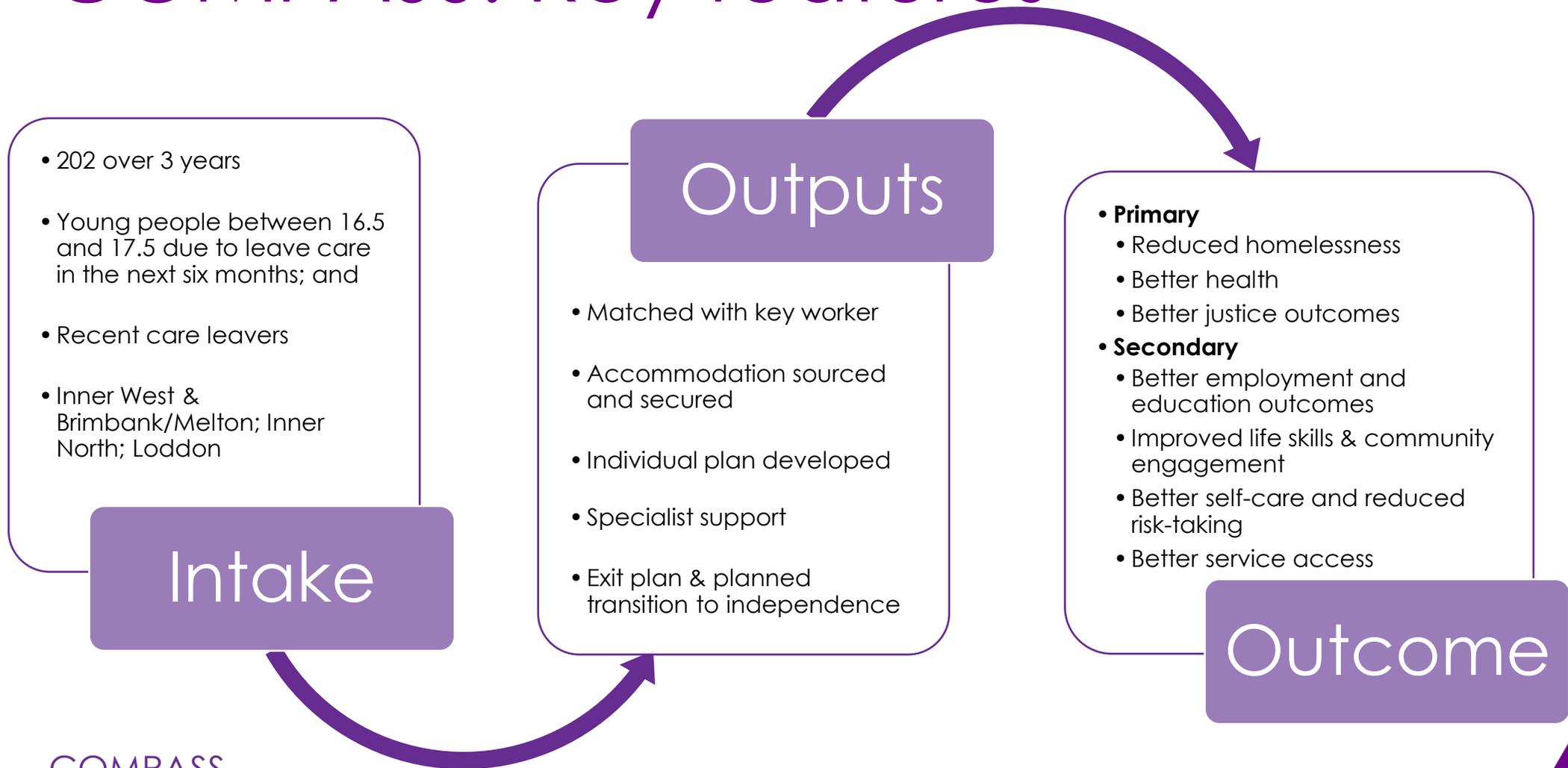


Education

- 53% of care leavers finish school at Year 10 or earlier; only 3.6% pursue further education



COMPASS: Key features

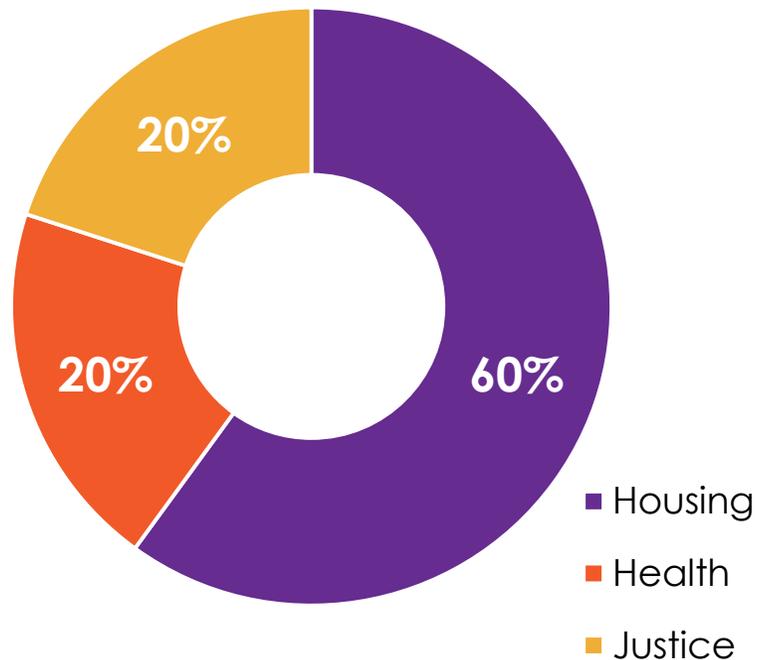


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COMPASS: Delivering outcomes

COMPASS will deliver measurable improvements in respect of housing, health and justice.



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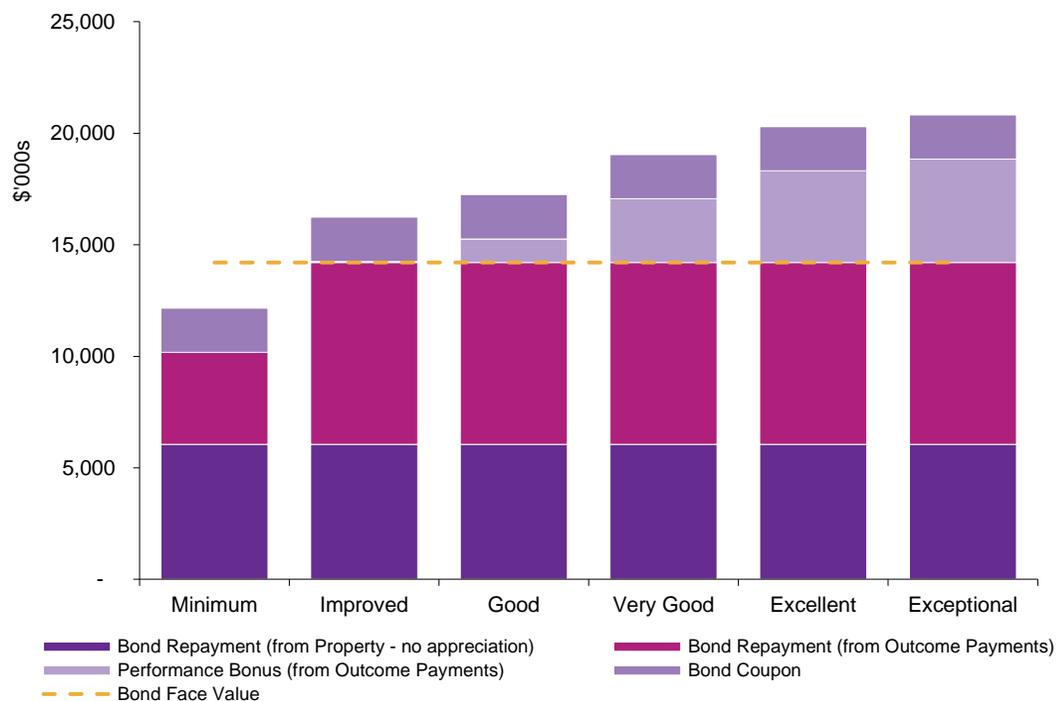
COMPASS is confident of delivering significant improvement against these three key metrics based on :

- international evidence of comparable programs targeting similar cohorts
- detailed actuarial analysis of linked local data on outcomes
- the expertise and experience of established providers
- responsive model allowing flexible response to client needs
- risk management strategies embedded throughout design and delivery



COMPASS: Delivering returns

Investor Returns



Returns to investors :

- Provided over a seven year period, combination of 'coupon' payments and performance
- Driven by sustained impact: Measured at
 - i. conclusion of program (2 yrs)
 - ii. 2 years after exit
- Only payable if initiative gets better outcomes than the matched control group over the same period
- Verified by independent certifier

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Navigating the path to success

An effective, targeted service model with meaningful, measurable outcomes

- clearly defined problem definition and outcomes
- driven by evidence
- delivered by experts

Strong partnerships including strong commitment from government

- key to negotiating a proposal with a risk/reward profile that is acceptable to all parties
- an important consideration for investors' risk assessment
- central to successful delivery and implementation

Effective measurement and data availability

- shared interest for all parties in measures being robust so performance is accurately measured
- timely measurement and availability central to ability to deliver return to investors in a viable time-frame
- mechanisms for data collection and assessment proportionate and affordable



Navigating the path to success (continued)

Upfront commitment of time, skills and resources

- technical expertise (measurement, financial model, legal and transactional arrangements)
- organisational resources required for developing detail of package and negotiating with government
- time for investor engagement, due diligence and decision-making processes

An appetite for risk

- viability of the program dependent on delivering successful outcomes
- significant costs for all partners in the development of the package prior to funding being secured
- financial, operational and reputational risks to be managed over the life of the program
- approaches to assessing 'risk' still developing, and challenging for some investors

Strong communications, engagement and transparency

- investors interested in delivery and outcome, not just returns
- challenges for government and service providers in meeting 'due diligence' requirements
- high level of transparency required in relation to planning, implementation and ultimately results
- communications tailored to new audiences with diverse interests



Reflections and future directions

Developing the evidence base

- outcome measurement and methods need to be acceptable for all (government/providers/investors)
- timely, effective data analysis essential to delivering a business model that works

Developing the social impact bond investment community

- developing interest and expertise among investors
- creates a market for expertise to service that demand: new players and skill development

New approaches and models

- need to improve efficiency and reduce transaction costs to ensure growth of the sector
- potential for roles of government, providers and investment community to change/diversify over time
- explore other outcome-based models such as payment by results

Cultural change

- greater transparency about what we do and what we achieve - and what we don't
- new approaches to governance, oversight and accountability: outcomes not inputs
- new stakeholders means communicating our challenges and successes differently.



Feedback & Questions

info@compassleavingcare.org.au

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