

# **Social Benefit Bond**

Investor Financial Report 30 October 2018









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## **Our vision**

A just society where all Australians can live their best life.

## **Our values**

The individuals shown in this report are not part of the Resilient Families program.

Our values guide us to stand strong, to never give up, to speak out on the issues that matter and make a difference every day for people of all ages and backgrounds.

Optimism. Respect. Integrity. Collaboration. Effectiveness.

## What we do

- Advocacy
- Specialist support to people with disability
- Support for older people and their carers
- Support for parents and children

## Who we help

- Children
- Families
- Older people and carers
- People with disability and their carers
- People with mental health issues
- Communities

## **Acknowledgment**

The Benevolent Society acknowledges the Traditional Owners of country throughout Australia and recognises continuing connection to land, waters and community. We pay our respects to them and their cultures, and to Elders past, present and emerging.





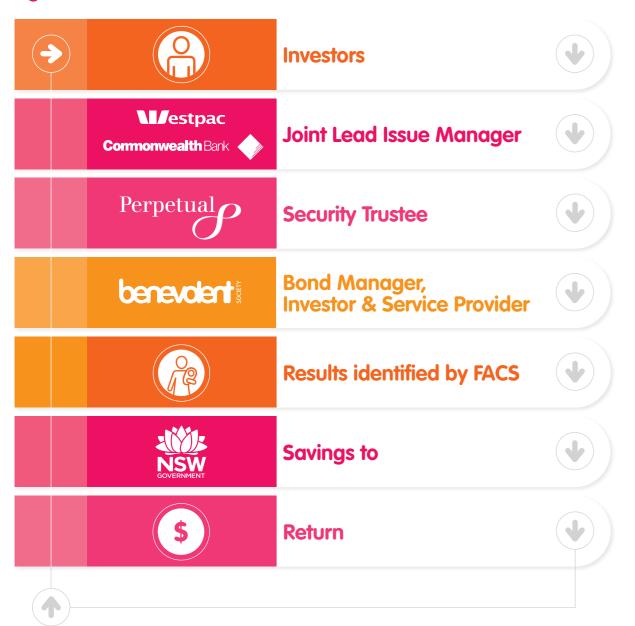
# The Benevolent Society Social Benefit Bond

The Benevolent Society Social Benefit Bond (the Bond) was launched in October 2013 to support Resilient Families, an intensive intervention program for families whose children are at risk of being removed and placed into out-of-home care.

The \$10 million capital, provided by investors, measured results for 303 families referred by the New South Wales Department of Family and Community

Services (FACS) over five years. The structure and relationships between the key stakeholders of the Bond is displayed below in Figure 1 below.

Figure 1 - Structure overview of the Bond



# The Bond results in detail

The Benevolent Society Social Benefit Bond included the measurement of performance across a wide spectrum of performance measures, over the term of the bond. These measures were used to determine the Improvement and Performance percentages for the Bond.

## **Improvement Percentage**

The Improvement Percentage for the Bond has been determined by information generated from the FACS data system. The progress made by families referred to the Program, called the Intervention Group, is compared against the progress made by a Control Group who share similar characteristics and receive a standard response from FACS that may include family support and intervention at varying levels of intensity.

The results have been measured by monitoring the number of occurrences of three types of child protection events for the Intervention Group compared to the Control Group:

- Out-of-home care entries, which are statutory removals of children ("Entries");
- Safety and risk assessments, (SARAS)
   which are investigations conducted by
   FACS (excluding those conducted in the
   first six months) ("Assessments"); and
- Helpline reports, which are calls made by NSW Police or health care professionals to the child protection Helpline to report a concern about the safety of children ("Reports").

These three measures cover a wide spectrum of child safety and together determine the Improvement Percentage.

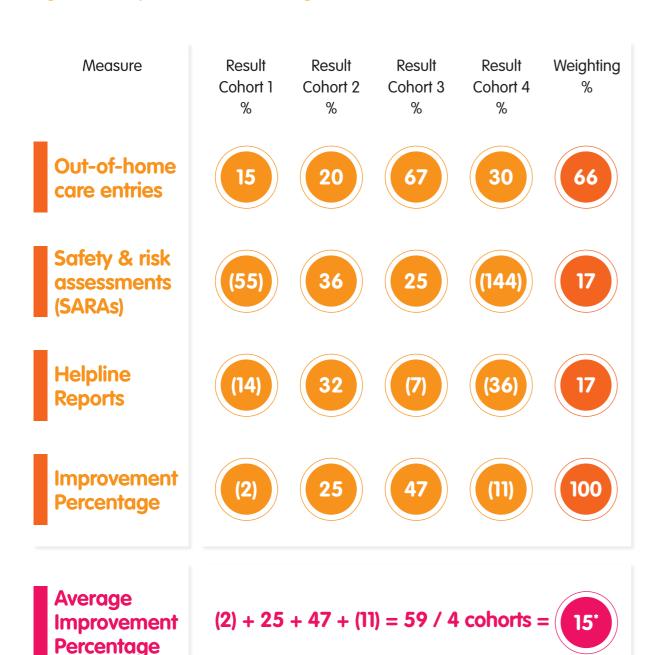
Families who later became ineligible due to a change of circumstances and families with unborn children are excluded from the calculations.

## Improvement Percentage =





Figure 2 – Improvement Percentage for Resilient Families



The average improvement percentage as a difference between the intervention and control groups for each of the four annual cohorts of referrals as at the Measurement Date of 3 July 2018.

The overall Average Improvement Percentage of 15 per cent for matched index children is the combined weighted result of three separate measures across the term of the Bond from 3 October 2013 to the Measurement Date of 3 July 2018.



- Out-of-home care entry results for the full term of the Bond show that there were 19 fewer entries to out-of-home-care from the Intervention Group (41) when compared to the Control Group (60).
- When expressed as a simple arithmetic average across each of the four annual cohorts, there were 32% fewer entries to out-ofhome-care from the Intervention Group than from the matched Control Group of children.

This result is especially encouraging as it demonstrates Resilient Families' consistent strong performance on this vital measure. Resilient Families has performed above the control group over the term of the Bond

despite some volatility in results for both Helpline and Safety and Risk Assessments.

The Bond result is calculated based solely on the youngest child in the family, referred to as the 'index' child. Given that most of the families who receive services have more than one child, and Resilient Families practitioners work with the whole family, in real terms Resilient Families has kept many more children from entering out-of-homecare than are reflected in these results.

The Bond applied an intention-to-treat model. This means that families who declined the Resilient Families program are still included in the calculation of the Performance Percentage. For the term of the Social Benefit Bond, there were Eighty-eight families of the 303 measurable families that were classified as non-participants. The remaining 215 families were supported by the program for varying lengths of time.

The volatility in the Helpline and Safety and Risk Assessment results across the various cohorts continues to be explored and will be investigated in greater depth through the external evaluation currently in the final stages of analysis.



You have been there to help me, saying "you can do it", and I have.

**Client**, Resilient Families

<sup>\*</sup>This figure reflects outcomes for matched index children.





In comparison to other NGOs, Resilient Families gets that the families' needs change day by day. There might be some existing set up, like the worker going in twice a week for parenting lessons, but they are aware that they might need really basic, practical support and that could change weekly as well. So, I like that they can alter their approach because some services are quite rigid and want to stick to the agreed goals, but that won't work for the family.

**FACS Caseworker** 

## **Investor returns**

Investor returns are determined based on the Performance Percentage.

Using the formula agreed to in the development of the Bond, the Performance Percentage at the Measurement Date of 3 July 2018, known as the Measurement Date under the terms of the Bond, was 16 per cent.

### Performance percentage

Investor payments have been based on the Performance percentage, which is calculated from the following:

- Average of the Improvement Percentage for each Annual Cohort ("AvgIP");
- Treatment Percentage where children referred to the Program have been matched to a control child ("TreatP");
- Unmatched Children Percentage where children referred by FACS were unable to be matched with a similar control child ("UnmatchedP"); and
- Guaranteed Referrals Shortfall Percentage

   where FACS was unable to fill vacancies requested by The Benevolent Society within the agreed period of time up to a guaranteed minimum ("GRSP").



## **Performance Percentage =**

(TreatP x AvgIP)



(UnmatchedP x



(GRSP x 40%)



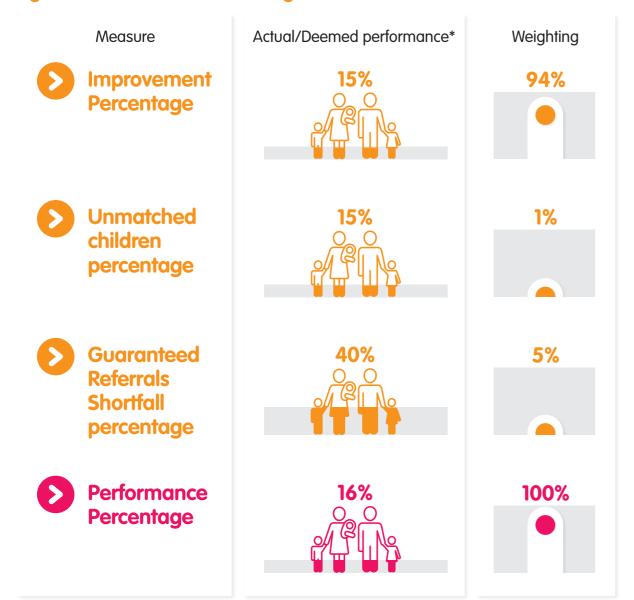
Six months ago, when I first met you, I felt like I was drowning. You gave me something to hold onto, and something to carry me. I am a lot happier today and this is because of you. You gave me comfort and you were caring in my time of need.

**Client**, Resilient Families



Weightings vary based on the overall number of referrals received. As predicted, the weightings for the Unmatched Children Percentage and the Guaranteed Referrals Shortfall Percentage decreased over time as TBS' requests and the referral process became more efficient. Actual returns have been calculated based on the cumulative results as achieved at 3 July 2018. Applicable returns to investors have

Figure 3 – Performance Percentage



<sup>\*</sup> Rounding to the nearest whole figure

been paid on 3 October 2018, the end of the term of the Bond. The Performance Percentage of 16%, achieved at the Measurement Date of 3 July 2018, has resulted in return to investors of 6 per cent for the capital protected class (Class P) and 10.5 per cent for the capital exposed class (Class E), as highlighted in Figure 4 below:

Figure 4 – Actual investor returns

Performance %	Class P Return* %	Class E Return* %	
S Fail	0	0	×
A IV Baseline	5	8	
^ <sup> ∨</sup> 20 Good 1	6	10.5	
^ IV 25 20 Good 2	7	15	
A IV SS SS Good 3	8	20	
^ IV 40 35 Good 4	9	25	
Out- Performance	10	30	

# How performance was certified

The Bond was subject to external verification, to ensure the accurate assessment of the Bond's performance. This verification was independent of program delivery.

## **Independent Certification**

Deloitte Touche Tohmatsu were engaged as an independent certifier, and have accordingly performed certain agreed upon procedures to assist the Trustee of The Benevolent Society Social Benefit Trust No. 1 in assessing the performance of the Social Benefit Bond.

#### Changes to the measurement

Midway through the term of the Bond, the stakeholder group (The Benevolent Society, FACS, NSW Treasury) undertook a review of measurement metrics, as part of the commitment to continuous improvement. This review occurred in response to concerns that the metrics chosen were not accurately measuring the aspects of program performance they had been designed to measure, and that there was the potential for observation bias. This was confirmed by external evaluators ARTD Consultants and by ACIL Allen Consultants Pty Ltd ("ACIL"), who were engaged by the NSW Government to conduct an independent review of the Bond measurement metrics. Both the ARTD and ACIL reports identified that a level of observation bias was impacting on the measurement of the outcomes being achieved by the Resilient Families program. The two measures identified were:

- Reports to the FACS Child Protection Helpline ("Helpline Reports"); and
- Safety and risk assessments conducted by FACS ("SARAs").

External evaluation by ARTD and ACIL found that children in the Intervention Group (i.e. children accessing Resilient Families) were experiencing higher numbers of child protection reports and safety and risk assessments than children in the matched Control Group. It was determined that this was being influenced by the mandatory reporting requirements for Resilient Families Senior Child and Family Practitioners, where the provision of intensive, in-home support was resulting in increased observation of families and subsequently more instances in which a report and subsequent safety and risk assessment was required.

Consequently, both the ARTD and ACIL reports recommended changes to the measurement of both Helpline Reports and SARAs to refine these metrics to improve the accuracy of measuring Program outcomes.





In response, the stakeholder group worked collaboratively to develop the following amendments to the Program outcome measurement:



Program outcome calculations were refined to include Helpline Reports from NSW Police and health care professionals only. Excluding Helpline Reports by case workers increased independence and reduced the incidence of observation bias; and



B

Measurement of SARAs were refined to exclude those SARAs undertaken within six months of referral to the Program, for both the Intervention Group and Control Group. This exclusion period provided a reduction in bias by allowing time for interventions to have an impact on family functioning.



There were no changes recommended or implemented to the measurement of entries the data collected for the entire term of the to out-of-home care. The decision to adjust the measurement to account for potential the observation bias is a key part of the learning process from the Bond.

The revised measures have been applied to Bond. More information on the changes to Bond measurement can be accessed via the ARTD.



[Resilient Families is the] biggest thing that's ever happened to me apart from having my children. We are enjoying living on our own and it has been the biggest positive.

**Client**, Resilient Families

We congratulate The Benevolent Society and their amazing team that worked on the programme for their commitment to improving the lives of others and their hard work that has resulted in the excellent results presented in this report. Westpac is proud to have helped create an innovative Bond to finance the Resilient Families Programme. It delivered a meaningful social outcome by materially reducing the number of children entering out of home care. This partnership is a great example of Westpac's vision to help our people, customers and communities to prosper and grow together. Social Benefit Bonds have now been introduced in several other States and we look forward to continuing to work with Governments and key community service providers to expand the use of Social Benefit Bonds in order to address pressing social needs in Australia.

## Craig Parker,

Westpac Group, Executive Director Structured Finance

## **Disclaimer**

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