

Social Impact Bonds are designed to increase funding for preventative services that improve social outcomes. The first Social Impact Bond funds the One* Service working with short-sentence prisoners discharged from HMP Peterborough over the next six years.

What is a Social Impact Bond?

- A Social Impact Bond (“SIB”) is a contract with the public sector in which it commits to pay for improved social outcomes.
- On the basis of this contract, investment is raised from socially-motivated investors.
- This investment is used to pay for a range of interventions to improve social outcomes.
- If social outcomes improve, investors will receive payments from government.
- These payments repay the initial investment plus a financial return.
- The financial return is dependent on the degree to which outcomes improve.

The Benefit of Social Impact Bonds

- SIBs are a way of attracting new investment to improve social outcomes.
- SIBs provide funding for prevention and early intervention services. The public sector pays if (and only if) the intervention works, removing the risk of failure from the public sector.
- SIBs provide working capital to delivery organisations enabling more social organisations to participate in payment by results contracts.
- SIBs encourage innovation in service provision by focusing on delivering outcomes rather than outputs.

Aligning with existing services

- The support offered to participants takes account of any work being done by statutory bodies, for example Probation Services.
- Services are intended to complement existing provision or fill gaps in provision, rather than duplicate statutory services

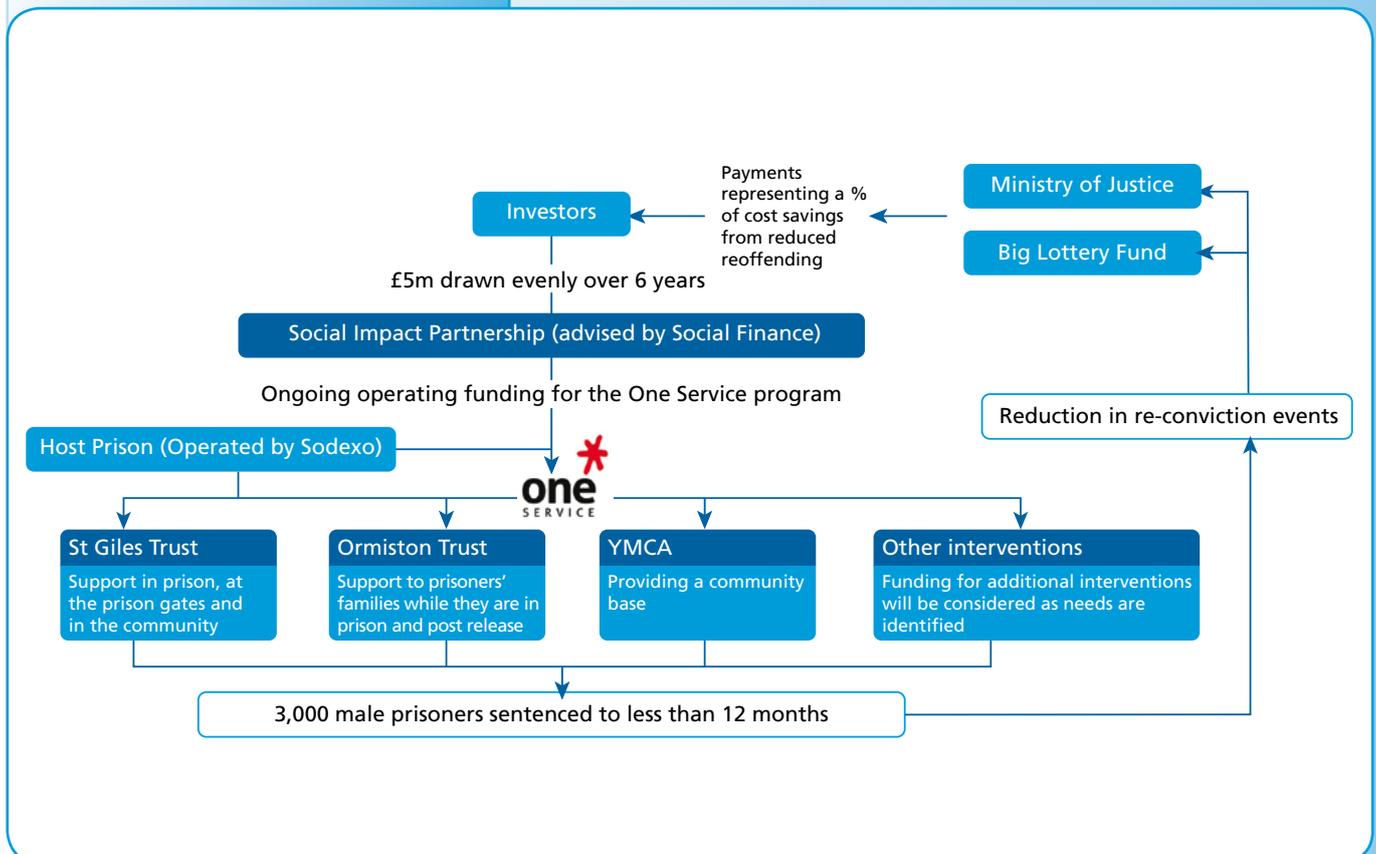
Investors

- The SIB is not a traditional ‘bond’ because all of the investors’ capital is at risk.
- It offers investors the opportunity to have a significant social impact and generate a financial return provided some social impact is achieved.
- Investors in the first Social Impact Bond have tended to be those with a strong focus on the social cause and an understanding of the interventions proposed.
- The investors in the Peterborough SIB pilot are mostly charitable trusts and foundations, some of which are the giving vehicles of High Net Worth individuals or Private banks.
- Some charitable trusts have invested as a programme-related investment in which they use part of their endowment to achieve their social mission and a financial return.
- We are already seeing interest from a broader range of investors.
- Once SIBs have developed a track record, the aim is to attract a range of impact investors, including retail customers, broadening the available pool of capital.

Peterborough key facts

- The first SIB contract was signed with the Ministry of Justice in March 2010 and officially launched in September 2010.
- Social Finance raised £5m from 17 social investors to fund work with 3,000 male, short-sentence prisoners leaving Peterborough prison.
- 60% of short sentence prisoners re-offend within one year post release. They receive little statutory support to address the causes of their offending.
- Experienced social sector organisations, such as St Giles Trust and Ormiston Children and Families Trust, provide intensive support to prisoners and their families, both inside prison and after release, to help them resettle into the community.
- The Ministry of Justice and the Big Lottery Fund will pay investors so long as there is a measured reduction in reconviction events of 7.5% relative to the experience with a control group of short-sentence prisoners in the UK.

Peterborough structure



Financial Returns

- Investors will receive a return if re-offending among the prison leavers falls by 7.5% or more compared to a control group of short-sentence prisoners in the UK.
- If the Social Impact Bond delivers a drop in re-offending beyond 7.5%, investors will receive an increasing return capped at a maximum of 13% per year over an eight year period. For example, a 10% reduction in re-offending would result in a 7.5% annualised return.

FAQs

- **Why is the scheme being piloted at Peterborough prison?**
Peterborough prison houses short-sentence offenders, many of whom are released back into the local area. Regional stakeholders, including the prison, are fully committed to the scheme and are working collaboratively to make the scheme a success.
- **Why is the scheme aimed at short-sentence prisoners?**
Short-sentence prisoners currently receive little or no statutory support from Probation Services on release from prison. Their reoffending rates are particularly high, with over 60% reoffending within one year of release.
- **How were the existing service providers chosen?**
Social Finance hired an external consultant to develop an operating plan. This exercise involved research into service providers operating in the region and elsewhere.
- **Can other providers be involved?**
As our understanding of intervention effectiveness and local need increases, additional services may be engaged. These will be advertised and service providers will have an opportunity to participate.
- **Is this compulsory for offenders?**
The programme is available to all short-sentence male prisoners leaving HMP Peterborough but it is not compulsory. Results are measured on all prisoners released, not just those who engage with the programme. Prisoners were involved in the development of the model to ensure that it met their needs. Early indications are that participation is high.