

**Item 1**

## **Social Impact Bonds Update**

### **Purpose of report**

To provide an update on social impact bonds for information. Ben Jupp (Director, Social Finance) has been invited to attend the meeting and give a short presentation.

### **Summary**

The report invites Members to agree actions to a) raise local government's awareness of social impact bonds and b) help it engage with experts and investors.

### **Recommendation**

To agree to work with Social Finance to promote social investment opportunities to local government.

### **Action**

Officers to act on any comments Members have.

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### **Background**

1. At the last meeting of the Finance Panel on 22 January, officers were invited to develop a seminar on social impact bonds (SIBs) and brief members on the social impact bond in Peterborough (attached at **Appendix A**).

### **Latest developments**

2. Officers have subsequently held discussions with:
  - 2.1. Big Society Capital who invest in social finance using the proceeds of unclaimed financial assets.
  - 2.2. Social Finance who act as an intermediary to promote social impact bonds.
  - 2.3. Early Intervention Foundation who have been set up to give advice on effective early intervention programmes.
3. Each of these organisations would like to work with us to both improve the sector's awareness of social impact bonds and to give those councils who are more interested the opportunity to engage with the experts and meet investors.

### **Proposed activity**

4. We are proposing the following actions:
  - 4.1. Information in First and other LGA channels to raise the general level of awareness of social impact bonds.
  - 4.2. A seminar or "master class" for those authorities who giving serious consideration to the development of a social impact bond.
  - 4.3. A report on the issues (and service provision) for which social impact bonds could be used, the potential benefits and the challenges in bringing a bond to market.
5. These actions will be undertaken before the LGA's annual conference in July. There is also the possibility of attracting external support for this and other related work which Ben Jupp will cover in his remarks to the Panel. If the opportunity arises the LGA would seek external support in partnership with Social Finance.

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**Conclusion and next steps**

6. Members of the panel are invited to agree to these actions and to further work with Social Finance.

**Financial Implications**

7. The costs will be met within existing budgets.

## **Appendix A: The Peterborough Social Impact Bond**

1. The Peterborough Social Impact Bond launched in September 2012. It funds the One\* Service (a partnership including St Giles Trust, Ormiston Trust, YMCA and Families Trust) working with 3,000 male, short-sentenced prisoners discharged from HMP Peterborough over the next six years.
2. 60% of short sentenced prisoners re-offend within one year of their release. They currently receive little or no statutory support from the Probation Service on release from prison.
3. The £5 million raised by the bond provides intensive support to prisoners and their families, both inside prison and after release, to help them resettle in the community. There are 17 social investors in the bond. The bond provides the working capital for the interventions.
4. The Ministry of Justice and 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.
5. The payment represents a percentage of the cost saving from reduced offending. The public sector only pays if the intervention works, transferring the risk of failure.
6. There is no published data yet on the success of the Peterborough SIB.