

Social Finance launches first Social Impact Bond

Social Impact Bond launched with Ministry of Justice to reduce re-offending by prison leavers from Peterborough Prison

Social Finance, the London-based social investment organisation, today announces with the Ministry of Justice the launch of the first Social Impact Bond (SiB). This is an innovative financial instrument designed by Social Finance to raise capital for investment in the social sector. Financial returns to investors will be based on improved social outcomes. This first issue will fund social organisations working to reduce re-offending rates of short sentence male prisoners leaving Peterborough Prison. The Ministry of Justice has agreed to make payments to investors in the event that re-offending is reduced below an agreed threshold.

During the Peterborough Prison pilot, experienced social sector organisations, such as St Giles Trust, will provide intensive support to 3,000 short-term prisoners over a six year period, both inside prison and after release, to help them resettlement into the community. If this initiative reduces re-offending by 7.5%, or more, investors will receive from Government a share of the long term savings. If the SiB delivers a drop in re-offending beyond the threshold, investors will receive an increasing return the greater the success at achieving the social outcome, up to a maximum of 13%.

Social Finance will raise up to £5 million to fund the Peterborough Prison pilot.

The SiB is designed to fund preventative approaches to social issues. Re-offending is an area where preventative work could lead to a better society and save the taxpayer money. Of the 40,200 adults on short term sentences, an estimated 60% will go on to reoffend within a year of release, at a significant cost to the taxpayer and society.

If successful, Social Impact Bonds could develop into a new asset class that aligns social and financial returns and brings in new capital to address social problems.

David Hutchison, Chief Executive of Social Finance commented:

"The Social Impact Bond has the potential to unlock an unprecedented flow of finance for social sector organisations. By focusing returns on outcomes, these organisations will be incentivised to develop innovative interventions to tackle ingrained social problems which weigh heavily on our society and our national purse.

"In partnership with the Ministry of Justice, we will use this new form of funding to enable foundations, social sector and governmental organisations to form a new partnership in which everyone benefits. The greater the social impact in terms of reduced re-offending, the higher the financial returns for investors and taxpayers. We see this pilot as an important first step in rolling out the Social Impact Bond more widely in the future. There is scarcely an area of social or health care

policy where prevention or early intervention isn't both cost effective and socially desirable. We envisage that future applications of the SiB might cover such disparate programmes as enhanced support for foster carers, home care services for older people or nursing in the home for the chronically sick”.

Jack Straw, Secretary of State for Justice, Ministry of Justice:

“Reducing reoffending is one of the Government's highest priorities. Between 2000 and 2008, the frequency of adult reoffending fell by 15.9 per cent. But we are always looking at new ways of further reducing reoffending that provides value to the taxpayer.

“We have always said that short term prison sentences are not always as effective as community sentences in reducing re-offending, but when the courts decide that the sentence is a necessary punishment we need to have in place robust services to stop these prisoners offending again.

“Through the SiB scheme Social Finance and their investees will be targeting interventions at short term prisoners. I remain committed to cutting crime and ensuring safer communities across England and Wales.”

Rob Owen, Chief Executive, St Giles Trust, added:

"The Social Impact Bond represents the start of a funding revolution for organisations that specialise in preventative work. By unlocking future savings and capturing their value, the SiB allows access to capital from a wide range of new investors. This means that charities, such as St Giles Trust, can deliver their life changing services over a larger scale, with greater impact.

“A recent Pro Bono Economics evaluation of a St Giles Trust service showed that our ‘meet at the gates’ service reduced re-offending by 40%. Pro Bono Economics calculated that, for every pound invested in this St Giles Trust service, the state saves over £10.

“The creation of Social Impact Bonds to fund preventative work like ours is a ‘win, win, win’ situation. Society wins as there are fewer victims of crime, the tax payer wins as less money is spent on prisons and clients win because they are given the chance to turn their lives around.”

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Notes to Editors:

Social Impact Bonds

The Social Impact Bond is a hybrid instrument with some characteristics of a bond (e.g. an upper limit on returns) but also characteristics of equity with a return related to performance.

For more information on Social Impact Bonds go to www.socialimpactbond.org.uk

Social Finance

Social Finance is a London-based organisation created in 2007 with the express aim of developing an effective social investment market in the UK. The organisation provides access to capital and advice to investors and social sector entities interested in delivering significant social impact.

The UK's social sector—which comprises charities and organisations with a social purpose as well as non-profit and for-profit social enterprises—is currently held back by a chronic lack of investment capital. Traditionally, available finance has tended to fall at either of two extremes: 100% subsidy grants or fully commercial loans. Social Finance aims to connect the social sector to the capital markets, thereby ensuring access to a full range of financial instruments.

Social Finance was founded after the Commission on Unclaimed Assets demonstrated the pressing need for long-term capital and financial innovation in support of the UK social sector. Chaired by Sir Ronald Cohen, the Commission recommended that a Social Investment Bank be established with a capital base of £250 million and additional receipts of £20 million pa for four years. The Commission's aim was to maximise the social impact of releasing capital from dormant accounts.

Social Finance brings together an unusual blend of skills and resources. All members of its Executive and Board have substantial investment banking or social sector experience that enables them to develop innovative financing solutions for maximum social impact.

Social Finance's Board

Bernard Horn (Chair)
David Blood
Sir Ronald Cohen
Toby Eccles
Victoria Hornby
David Hutchison
Wol Kolade
Penny Newman
Geraldine Peacock CBE
David Robinson
James Strachan
Philippa Stroud
Peter Wheeler

www.socialfinance.org.uk

St Giles Trust

St Giles Trust aims to break the cycle of offending, crime and disadvantage and create safer communities. St Giles Trust puts offenders who want to change at the heart of the solution by

enabling them to become trained professionals, using their skills and experience to help other offenders change their lives.

St Giles Trust's Peer Advice Project aims to meet the large demand for advice services amongst the prison population by using an under-used resource - serving prisoners themselves. It trains serving prisoners to NVQ Level 3 in Information, Advice and Guidance and enables them to help other prisoners by gaining valuable practical experience as part of the vocational element of the course. The course is externally verified by Advice UK and is an excellent way of improving the skills of serving prisoners and preparing them for employment upon release. The Peer Advice Project was initially set up to address the high levels of homelessness amongst the prison population by training serving prisoners to act as housing advisors. However, in some prisons advisors cover other areas such as employment and training opportunities.

Hundreds of prisoners have gained the NVQ qualification under the Peer Advice Project and each individual has supported large numbers of their fellow prisoners, addressing a need which would otherwise be unmet.

The Peer Advisors often find that they are regarded as highly credible, trusted sources of support, as they are serving prisoners themselves.

www.stgilestrust.org.uk