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PETERBOROUGH SOCIAL IMPACT BOND REDUCES REOFFENDING BY 8.4%; INVESTORS ON COURSE FOR PAYMENT IN 2016

Results for the first group (cohort) of 1000 prisoners on the Peterborough Social Bond (SIB) were announced today, demonstrating an 8.4% reduction in reconviction events relative to the comparable national baseline. The project is on course to receive outcome payments in 2016. Based on the trend in performance demonstrated in the first cohort, investors can look forward to a positive return, including the return of capital, on the funds they have invested.

The momentum in the project reflects the significant advantages of the model – that long term funding provides the scope to build a deep understanding of the complex needs of offenders and the flexibility to invest in meeting them.

The Ministry of Justice and the Big Lottery Fund will make payments to investors in 2016 if there is a reduction in reoffending of more than 7.5%¹; but the project does not qualify for a payment at this early juncture.²

The results were compiled by independent assessor Professor Darrick Joliffe and his team from Qinetiq and the University of Leicester, for the Ministry of Justice, using the PSM methodology.³ The independent assessor calculated that there were 142 reconvictions per 100 prisoners in Peterborough compared to 155 reconvictions per 100 prisoners in the control group.

“We are very encouraged by the evidence of the positive impact of the support the SIB has provided in the first cohort and are encouraged by continuing improvements in our work with offenders on the second cohort. The SIB has given our delivery partners the resources and the freedom to meet the complex needs of our prison leavers very effectively,” said David Hutchison, CEO of Social Finance.

Sara Llewellyn, CEO of the Barrow Cadbury Trust and SIB investor said: “We are delighted with the progress made in the first cohort of the Peterborough Social Impact Bond. As investors, we wanted to prove that by doing something differently, and by being more flexible, we could indeed create a different outcome. An outcome which is a ‘WIN, WIN’; a win for the taxpayer as the volume of repeat crime falls and a win for prisoners and their families when they take charge of restabilising their lives.”

“Resettlement of short term prisoners has long been a blind spot of criminal justice and social welfare systems. The independent funders who came together to invest in the first Social Impact Bond saw an opportunity to move beyond temporary gap-filling towards developing and testing a whole sustainable system. There are many lessons that we need to learn from this bold experiment, from its data driven rigour, to its clear value base, to its ability to contend flexibly with complex social issues. The prospect of getting our investment back with a return is an exciting indication that thorough-going

¹ Over the life of the project which will comprise two cohorts of 1000 prisoners each.

² If the reduction for the first group of prisoners had exceeded 10% compared to a national comparison group, investors would have qualified for a payment in 2014. The result for the first cohort is a statistically significant reduction at a 90% significance level, but not at a 95% significance level, compared to the national control.

³ For details on the methodology, please link to <https://www.gov.uk/government/organisations/ministry-of-justice>



resettlement can create enough cashable savings to make a new system affordable when done properly," said Julian Corner, CEO of the LankellyChase Foundation and investor in the Peterborough SIB.

"The One Service has helped me with a training course, housing needs, food, electricity and someone has always been on the end of the phone even if it's just someone to talk to. I have rung them so many times even if it is just to rant and vent what I'm thinking. If it hadn't have been for this I would be back in prison by now." Mr Flattley, One Service client, with 24 prison sentences and no previous rehabilitative support.

Background to the pilot

Social Finance launched the Peterborough Social Impact Bond in 2010, supported by 17 foundations, who committed to invest £5million. It was designed as a seven year pilot to test the premise that offering comprehensive and individual support to prisoners would help them stay out of prison and build a new life for themselves on the outside. The first cohort of prisoners was released from September 2010 – May 2012. During this period, Social Finance set up a new service, known as the One Service, which included delivery organisations St Giles Trust, Sova, Ormiston Families, YMCA and, MIND to provide housing, family, health, employment and training support. The One Service also works with local drug and alcohol services. John Laing Training joined the project in the second cohort.

Early learnings

As the programme progressed, it was clear that there were three gaps which impacted the lives of prison leavers most profoundly: the provision of accommodation, support for low-level mental health needs and the lack of training and employment opportunities. Flexible funding from investors allowed the One Service partners to create a multi-agency offering to respond to these needs of the offenders.

Improving performance

Repeat offending by short sentenced prisoners has challenged the UK for many years but no statutory support has been on offer for this group of prisoners. As offenders recognised that the Peterborough project was stable and long-term, and would continue to support them even if they ended up back in prison, engagement levels rose from 74% in Cohort 1 to 86% in Cohort 2 while in prison and from 37% (cohort 1) to 71% (cohort 2) after release.

Not only did engagement levels rise over the course of the first four years, but the team's understanding and ability to meet the needs of offenders improved. This is reflected, for example, in the reoffending rates for the first six months of the Cohort 2 which lie 8% below those for the first six months of Cohort 1.

"Rehabilitating prisoners demands commitment, proper financial resources and patience. The project was deliberately set up to be a long term project so that we can learn, improve and refine the best ways of supporting prisoners on release. Today's results are very encouraging," said David Robinson, chair of the Peterborough SIB Advisory Board.

Local relationships

The One Service established an excellent working relationship with Peterborough prison and close links with local statutory and voluntary partners in the area. Many of the One Service's practices, such as the through the gates model, have been adopted more widely.

A representative from the Peterborough Community Safety Partnership wrote in June 2014:

"We have [...] been fortunate enough to bear witness to the journey of the pilot as it has evolved, as well as to experience first hand some of the case studies that really do bring the scheme to life. There have been, and [...] sure will continue to be, some truly inspirational stories involving often entrenched offenders transforming their lives as a direct result of the work of the One Service leading to significant public sector direct and enabled savings and a real reduction in re-offending with fewer victims of crime as a result."

Independent research

Leading research institute RAND Europe published an independent evaluation of the Peterborough SIB in April 2014 which concluded that the innovation lay in the flexibility of the funding, the local management and operations of the project, the frequent review and adaptation of the intervention models and the collection and use of management information.

Wider adoption of the Social Impact Bond model

The Peterborough pilot was the first Social Impact Bond – a new model of investing into preventative services to tackle entrenched social problems. It aligns social impact with financial return by linking payments to investors with increased operational success. If the impact is not achieved, investors do not receive payments and risk losing their investment.

Social Impact Bonds provide additional and non-governmental funding to chronic social issues such as youth unemployment, children in care, homelessness and criminal justice. Following the Peterborough launch in 2010, there are now 16 Social Impact Bonds in the UK, 4 in the US, 2 in Australia, 1 in Canada, 1 in the Netherlands, 1 in Belgium, 1 in Germany and more than 100 proposals world-wide. Over \$100m has been raised in social investment to fund Social Impact Bonds globally.

Three of the SIBs under Social Finance management have already paid outcome payments to investors.

Transition arrangements agreed for the continuation of the One Service

As a direct consequence of the Government's decision to restructure the provision of probation services nationally, the Ministry of Justice announced on 24th April 2014 that it would bring the Peterborough pilot to a close early. The Ministry of Justice has been keen to structure transitional arrangements to ensure that the pilot is able to complete its work with the second group of 1000 prisoners using the Social Impact Bond model. In addition the Ministry of Justice has been keen to ensure the continuity of the service to those who would have joined the third and final group until a new contractor takes on responsibility for the East of England. Details of the transitional arrangements have now been agreed and are set out in the announcement included in the notes to editors. They reflect directly the wish of all parties that the service continue in its current form until the new national arrangements are in place and that investors' interests are properly respected.



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Notes to Editors:

- 1) 17 social investors committed £5m in 2010 to fund a series of rehabilitative interventions for three cohorts of 1000 short-sentenced male prisoners for a year after their release from Peterborough prison. A list is available from Social Finance.
- 2) The Peterborough SIB measures the offending behaviour of all male short sentenced prisoners released from Peterborough prison whether or not they engage with the One service. Offenders are offered support for a year post release on a voluntary basis.
- 3) An independent assessor recorded the number of reconviction events of all clients on the cohort rather than the number of those who had re-offended, i.e. a frequency measure rather than a binary measure. This means that the One Service must work with all ex-prisoners from Peterborough prison including those who continue to re-offend.
- 4) Using a Propensity Score Matching methodology, the independent assessor compiled a comparison group of up to 10 offenders per Peterborough client based on matching 36 characteristics and compared the number of reconvictions.
- 5) The Peterborough cohort threshold for triggering a payment (7.5% across all cohorts and 10% for each cohort) was calculated at the 95% confidence interval. If the results achieved for Cohort 1 had been tested against a 90% confidence interval, this would have triggered a payment to investors.
- 6) Before controlling for the differences under the PSM methodology, the independent assessor ("IA") noted the significant differences in the demographic and criminal history between those released from Peterborough prison and those released from other prisons. The IA observed that these differences would suggest that those released from HMP Peterborough carried a lower risk of reoffending than those released from other prisons. The IA expressed the same view in an earlier dry run exercise published in 2012 in respect of 2008 data before the pilot began. This picture is also reflected in the published OGRS scores for Peterborough short sentence offenders which consistently lie below the national average over the period June 2007 to June 2013. (OGRS is a risk assessment measure used to predict the likelihood of reoffending.)

The actual figures for the entire period from 2007 to 2013 published in the interim reports by the MoJ since June 2013 however consistently suggest the reverse, that Peterborough prison has had a higher frequency of reoffending than the national average. This could be explained by a prison/ court specific effect, in other words that being released from Peterborough rather than another prison makes a difference, or possibly that some other significant attribute of the prisoners was not captured. The Independent Assessor acknowledges in his report that one of the limitations of the PSM methodology is that it does not take into account the potential effects of being released by specific prisons.

In recognition of this limitation and in the spirit of maximising the learning from the pilot exercise, the MOJ and Social Finance will seek independent advice as to whether to refine the PSM methodology in light of this data, when evaluating the second cohort and the combined cohorts against the 7.5% threshold. It is not possible to judge whether this would have a positive or negative impact on the prospects of a return to investors.



- 7) In April 2014, an independent research institute, RAND Europe released an independent assessment of the Peterborough operations. For more information, please link here. <http://www.socialfinance.org.uk/resources/publications/phase-2-report-payment-results-social-impact-bond-pilot-hmp-peterborough>
- 8) Social Finance will be publishing a report in September on the first four years of operations. It will provide data and analysis on the first two cohorts.

TRANSITIONAL ARRANGEMENTS AGREED FOR PETERBOROUGH OPERATIONS

On 24th April 2014, the Ministry of Justice (MoJ) announced its decision to bring the Peterborough pilot to a close early, in consequence of the Government's decision to restructure the provision of probation services nationally. The MoJ judged that it would be difficult to ensure that the pilot had sufficient freedom to operate once another contractor took on responsibility for the rehabilitation of prisoners in the East of England from December 2014. This would also make it difficult to measure the impact of the pilot.

As Social Finance reported at the time, the MoJ has been keen to structure transitional arrangements to ensure that the pilot is able to complete its work with the second cohort of prisoners under the social impact bond funding model. In addition, but funded differently, it wished to ensure continuity of provision to prisoners who began leaving Peterborough in July and would have formed part of the third and last cohort until statutory provision of service to short sentence custodial offenders takes effect.

Terms for the transitional arrangements have now been agreed. Under these arrangements, the MoJ have agreed to fund an increasing proportion of the costs of the service to reflect the increasing proportion of the case load that is represented by the third cohort, while the Big Lottery Fund has agreed to provide support for the project until work with the second cohort has been completed (in June 2015). The arrangements will ensure that investors in the Peterborough pilot continue to fund the costs of working with the remaining members of the second cohort, but on a reducing basis to reflect the reducing case load for this cohort. The arrangements also ensure their investment will be rewarded on exactly the same basis as envisaged at the time of their original investment. In addition however, the MoJ has agreed to test whether investors qualify for the total cohort payment after the first two cohorts (rather than three) and has agreed to pay termination costs which would have otherwise been for the account of investors at the end of the pilot.

It was always envisaged that Peterborough might not run to term if, for example, widespread replication made it difficult to build a comparison group to measure its performance. The transitional arrangements reflect the desire of all parties to recognise the impact of the Peterborough pilot and to see continued support to the category of prisoner that it serves in the run up to the new national probation arrangements.

“While it is disappointing that investors in the pilot no longer have the opportunity to earn a return for working with Cohort 3, particularly given the momentum in the project, the transition terms agreed reflect directly the MoJ's enthusiasm for the service to continue in its current form until the new arrangements are in place and its wish to ensure that investors interests are properly respected.



“More broadly, we are encouraged that the Government has acknowledged the need for statutory support for short sentence offenders on release in its reforms. The Justice Secretary has also referred to our work in Peterborough as informing his plans. However, we have real concerns that the structure of the incentives in the proposed probation contracts is not sufficiently strong in the early years to stimulate investment in the sort of rehabilitation support which the One Service at Peterborough has provided,” said David Hutchison, CEO Social Finance.