

Thursday 27 July 2017, London

## World's 1st Social Impact Bond shown to cut reoffending and to make impact investors a return

- Independent evaluation determines that Peterborough Social Impact Bond reduced reoffending<sup>1</sup> of short-sentenced offenders by 9% in Peterborough; investors are repaid in full
- Programme highlights the value of sustainable investing and data-informed delivery to tackle deep-seated social issues
- Rapid global market growth since Peterborough Social Impact Bond launch in 2010 : 89 Social Impact Bonds in 19 countries mobilising £300+m for tackling social problems

Today, Social Finance and the One Service announce the success of the first ever Social Impact Bond in Peterborough to reduce reoffending among short-sentenced prisoners. Reoffending has been a persistent problem for the UK criminal justice system with national reoffending rates for short-sentenced offenders at around 60% when the Peterborough programme was designed.

The Peterborough Social Impact Bond reduced reoffending of short-sentenced offenders by 9% overall compared to a national control group. This exceeds the target of 7.5% set by the Ministry of Justice. As a result, the 17 investors in the Peterborough Social Impact Bond will receive a single payment representing their initial capital plus an amount that will represent a return of just over 3% per annum for the period of investment.

**David Robinson, Chair, Peterborough SIB Advisory Board, commented on the results:** *“The Social Impact Bond gave us the opportunity to set up a multi-agency intervention that could offer responsive, long term assistance to people stuck in the reoffending loop. I am delighted with the results - both social and financial. They provide appropriate reward for our risk taking partners and, most important of all, they show the transformative power of sustained, personal support for determined people in difficult circumstances.”*

**David Hutchison, CEO Social Finance said:** *“The Peterborough Social Impact Bond captured people’s imagination with the simple premise that it is possible to invest in interventions to tackle difficult social issues. The results today reflect the hard work, commitment and tenacity of all those involved, working with this group of offenders to help them rebuild their lives. I am immensely grateful to all our partners for their commitment over the past seven years. We have learned that impact investment can drive real change and harness communities and action to rethink how we resolve the challenges our societies face.”*

In 2010 Social Finance raised £5 million from trusts and foundations to launch the first ever Social Impact Bond to reduce reoffending among short-sentenced offenders leaving

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<sup>1</sup> The Peterborough Social Impact Bond was measured by a reduction in the number of reconviction events



Peterborough prison. It funded the One Service – an umbrella organisation designed to respond to the complex needs of offenders to help them break the cycle of reoffending. Over five years of operation, support from the One Service was offered to two cohorts of 1000 short-sentenced male prisoners for a period of up to 12 months post-release<sup>2</sup>. Engagement was voluntary but the whole cohort was included in the measurement of the results.

Most of the clients on the Peterborough One Service had reoffended before, and for many, a spell in custody did not act as a deterrent. They had acute needs. A high proportion suffered from mental health and substance abuse challenges. Many had housing needs, didn't have access to money and were in debt, and didn't have the right skills to find employment.

The One Service was delivered by St Giles Trust, Ormiston Families, Sova, MIND, TTG Training, YMCA and John Laing Training, and managed by Social Finance. Over the course of its operation, it was an integral part of the Safer Peterborough Partnership<sup>3</sup> and worked closely with the Police, Probation, Integrated Offender Management Teams, the Prison, the local authority, local statutory providers and the voluntary sector. It became an important part of the support landscape in Peterborough.

**Rob Owen, OBE Chief Executive St Giles Trust said:** *“St Giles Trust is hugely proud to have played its role in helping to deliver a historic first. The Peterborough Social Impact Bond is great news for everyone. To reduce re-offending rates at this scale by this amount is extraordinary. It's a great result for everyone in society, the clients served and those lives that have been transformed; the thousands of victims not created, the ensuing savings to the taxpayer and ultimately the investors who funded the bond. A true win-win for everyone.”*

**Sophie Wilson, COO, SOVA said:** *“We're thrilled to have been part of such an innovative project and to have played a role in helping offenders move away from crime and rebuild their lives. We would like to thank all the Sova volunteers in Peterborough and the surrounding areas who helped make this such a success.”*

Since Social Finance pioneered Social Impact Bonds in 2010, the concept has captured widespread interest across the globe. There are currently 89 Social Impact Bonds in 19 countries, mobilising more than £300m of investment into tackling complex social issues such as refugee employment support, loneliness among the elderly, rehousing and reskilling homeless youth, and diabetes prevention.

**Sir Ronald Cohen, Chairman, Global Steering Group on Impact Investment, said:** *“It is very gratifying to see the world's first Social Impact Bond do good and do well, helping released prisoners lead better lives and, as a result, paying back investors' capital with a reasonable return and saving the government money. It is the way of the future.”*

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<sup>2</sup> Not all of the £5m was drawn down over the course of the programme. It was terminated early with the introduction of a national rehabilitation scheme for all offenders in 2015. 2000 offenders were supported through the Social Impact Bond funded programme. The Ministry of Justice continued to fund the One Service directly for a further year.

<sup>3</sup> The Safer Peterborough Partnership is a working group made up of statutory agencies and voluntary organisations to reduce crime in the area. <https://www.peterborough.gov.uk/residents/saferpeterborough/>

**Mark Woodruff, Monument Trust, said:** *"It is excellent to see that the interventions to support offenders leaving Peterborough prison have been measured to have reduced reoffending year upon year. The Monument Trust has been a substantial investor in keeping people out of prison and ensuring that prisoners did not go back, and so I was confident that our investment would prove to be successful. Our sole regret is that what had been so promising from the outset was terminated by government mid-course, before its value could be understood and applied elsewhere. I hope that those responsible for the long term rehabilitation of our prisoner population take note, and recognise that this particular, now proven, model of integrated and sustained support is so effective that they cannot afford to do without it for the future."*

**Saadia Madsbjerg, Managing Director, The Rockefeller Foundation, said:** *"As an early supporter of Social Impact Bonds (SIBs)—and an investor in this historic, first-ever SIB—The Rockefeller Foundation is very proud of the success of the Peterborough Prison pilot, an important milestone in unlocking new capital to address critical social problems. We are excited about the potential it demonstrates to mobilize unprecedented flows of new capital to the social sector while saving taxpayer money and driving innovation in social service delivery."*

**Sara Llewellyn CEO Barrow Cadbury Trust, said:** *"At last the proof that the right combination of support and challenge at the right time reduces crime, reduces the number of victims of crime and saves on public spending all at the same time. It's a bullseye outcome!"*

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#### Notes to Editors:

- 1) Social Impact Bonds provide investment to address social problems and look to fund preventative interventions. They link financial success to the delivery of measured social outcomes. If, and only if, the social outcome improves, the outcome payor repays the investors for their initial investment plus a return for the financial risks they took.
- 2) Social Impact Bonds are designed to overcome the challenges governments have in investing in prevention and early intervention. They mitigate the risks of failure and bring in impact investors, who want to test innovation and scale successful programmes. Investors provide flexible funding to programmes that are designed to be responsive to the needs of vulnerable groups to improve their lives.
- 3) For a full list of Impact Bonds in operation and those in development, please visit: <http://www.socialfinance.org.uk/database/> The database gives details of all the programmes and the full or interim results of programmes where available.
- 4) 17 impact investors committed £5m in 2010 to the Peterborough Social Impact Bond 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. All funding was provided at risk by impact investors whose financial return was aligned to the positive social impact of reducing reoffending.



- 5) Investors in the Peterborough Social Impact Bond included: Barrow Cadbury Trust, the CowPat Trust, Esmée Fairbairn Foundation, Friends Provident Foundation, Golden Bottle Trust, The Henry Smith Charity, the Hintze Family Charitable Foundation, J Paul Getty Jr Charitable Trust, Johansson Family Foundation, K L Felicitas Foundation, LankellyChase Foundation, Monument Trust, Panahpur, Paul Hamlyn Foundation, R&S Cohen Foundation, Rockefeller Foundation and the Tudor Trust.
- 6) The programme, which was originally intended to run for 7 years working with three groups of 1000 prisoners, was terminated in 2015 with only two cohorts. This was due to the roll-out of the Transforming Rehabilitation national reforms to probation, which introduced mandatory statutory supervision for all short-sentenced offenders. This made it impractical for the service to continue or for its subsequent impact to be measured. The One Service continued to operate under a fee-for-service arrangement paid by the Ministry of Justice until the new Community Rehabilitation Companies started delivering through the gate services.
- 7) Under the terms of the Social Impact Bond contract with the Ministry of Justice and the Big Lottery Fund, investors would be repaid their initial outlay and a return on the investment if the programme was independently measured to reduce reoffending by 7.5% across the programme. There was also an opportunity for early payments to investors if an individual cohort reduced reoffending by 10% compared to a national control group.
- 8) A Propensity Score Matching (PSM) approach was used to estimate the impact of each cohort and the overall impact of the programme by compiling a comparison group of up to 10 offenders per Peterborough client based on similar characteristics and number of reconvictions. The Ministry of Justice appointed Independent Assessors to calculate the outcomes. The results for cohort 1 were published in August 2014 and showed that the pilot achieved an 8.4% reduction in reoffending. The results for cohort 2 published today show that the pilot achieved a 9.7% reduction in reconviction events. To establish the overall success of the programme, the independent assessor took the weighted average of the two cohorts. It was 9% - above the minimum threshold of 7.5% and sufficient to trigger an outcome payment.
- 9) For more information on the measurement and evaluation of the Peterborough Social Impact Bond, please link to:  
<https://www.gov.uk/government/publications/final-results-for-cohort-2-of-the-social-impact-bond-payment-by-results-pilot-at-hmp-peterborough>
- 10) An independent research institute, RAND Europe published three reports of the Peterborough One Service operations. For more information, please link here.  
<https://www.rand.org/randeuropa/research/projects/social-impact-bonds.html>