

Aspire Social Impact Bond

Annual Investor Report
Period ending 30 June 2023
Issued December 2023



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Foreword

Dear Investor,

Social Ventures Australia is pleased to present the 2023 Aspire Social Impact Bond (**Aspire SIB**) Investor Report.

This is the penultimate annual report, with the Aspire Program now in its final year of operation under the social impact bond funding arrangement. The follow-on funding arrangement between Hutt St Centre and the South Australian Government was extended this year to enable enrolments into the program to continue for another year. Those enrolments, and the outcomes for those individuals, are not included in this report.

As outlined in this report, the outcomes for Aspire continue to demonstrate that participants experience a significant reduction in the rates at which they access hospital, justice and emergency accommodation services, in comparison to the baselines against which program results are measured. In addition, 81% of participants had been placed into housing by the end of Aspire's sixth year of operation. Those placed continue to demonstrate high retention rates, with 86% maintaining their tenancies.

Around 95% of all outcomes for Aspire's 575 participants have now been measured, and the Aspire SIB remains on track to deliver overall results at the upper end of the spectrum of performance scenarios. The projected financial return to investors is 14% per annum.

We trust that the stories and information shared in this report will provide useful insights into the successful and inspiring Aspire journey to date.

Kind regards,



Kirsten Armstrong

Director, Impact Investing,
Social Ventures Australia



Patrick Bollen

Manager, Impact Investing,
Social Ventures Australia



"Aspire continues to be an important part of our specialist homelessness service system through the provision of longterm support to help people break the cycle of homelessness and access critical services. It is an example of how government and the community sector can work together in new ways to tackle longstanding challenges in our society."

Hon Nat Cook MP

Minister for Human Services

Aspire SIB overview

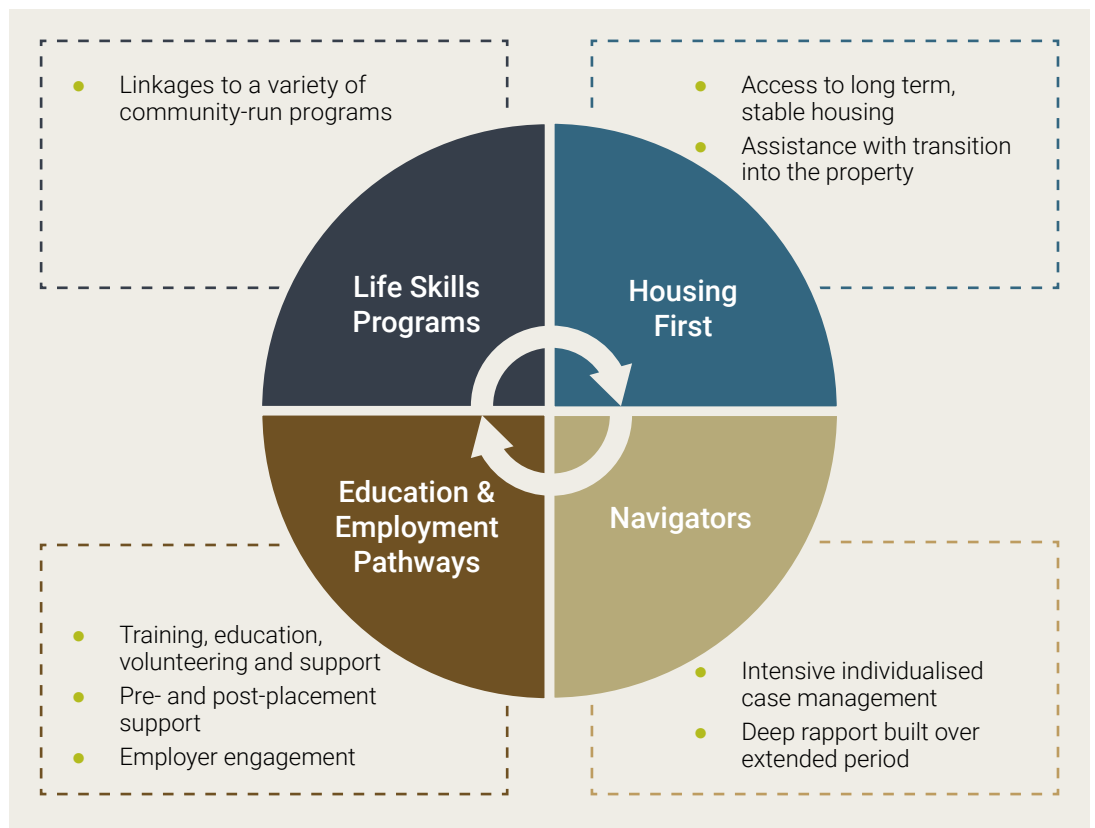
The Aspire SIB funds the delivery of the Aspire Program in Adelaide, which is delivered by Hutt St Centre, a specialist homelessness service provider, in partnership with the Government of South Australia (**SA Government**). The Aspire SIB has a term of 7.75 years and utilises \$9 million of investor capital.

Aspire Program

The Aspire Program is based on the 'housing first' intervention model and is designed to focus on strengthening community engagement and economic participation. Under the Aspire model, participants are provided assistance in securing stable accommodation, job readiness training, pathways to training, employment and life skills development. Importantly, they also have the long-term support of a dedicated 'Navigator' to help them connect with wider support services and identify and achieve their aspirations.

The Aspire Program is designed as a three-year program with tiered intensity of support. Each individual's journey is unique, and the level of support is adjusted to reflect their strengths and needs.

Figure 1 Aspire Program elements



SIB overview

The Aspire SIB is underpinned by an outcomes-based contract between the SA Government and the Aspire SIB Trust¹. Payments are made by the SA Government based on the savings generated as a result of the program. These savings are determined by measuring the reduction in participants' utilisation of SA Government services relative to a counterfactual, or baseline. Specifically, outcome payments are made based on the reduction in the number of hospital bed days, convictions, and short-term or emergency accommodation support periods.

The level of these payments from the SA Government will in turn be reflected in the investment returns generated by the Aspire SIB.

Investor returns

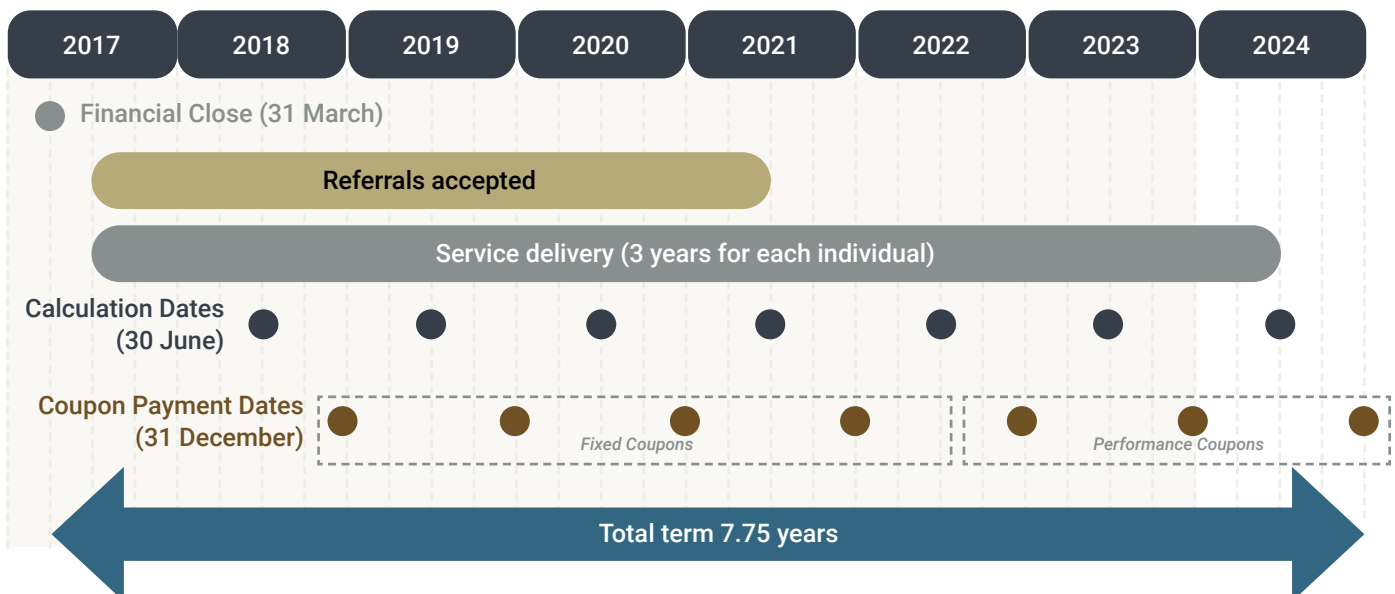
Investors received a 2% per annum Fixed Coupon over the first 4.75 years of the bond and a Performance Coupon in Year 5. Investors will also receive Performance Coupons in the final two years. Performance Coupons and Redemptions are determined by the balance of Trust Assets², and are thus directly linked to the performance of the Aspire Program. Other influences include the amounts paid to Hutt St Centre and earnings on cash balances in the Trust.

Under the assumptions set out in the [Aspire Social Impact Bond Information Memorandum](#) dated 1 February 2017 (**Information Memorandum**), investor returns vary with the level of program performance as illustrated in Table 1.

Table 1 Aspire SIB Noteholder Returns Under Initial Assumptions

Scenario	Below Target	Target	Above Target	Outperform
Hospital Bed Days Reduction	10%	15%	20%	25%
Convictions Reduction	10%	15%	20%	25%
Accommodation Periods Reduction	40%	50%	60%	67%
Internal Rate of Return	4.5%	8.5%	12%	13%

Figure 2 Aspire SIB timeline



1. The Aspire SIB Trust (being SVA Nominees Pty Ltd as the trustee of the Aspire SIB Trust) is the issuer of the Aspire SIB, and is managed by Social Ventures Australia Limited.
 2. Trust Assets are all the rights, property and undertaking of the Aspire SIB Trust.

Program update

Participant numbers

The Intervention Group, which was complete at the end of Year 4, comprises **575 individuals**, 4% lower than the planned Intervention Group size of 600.

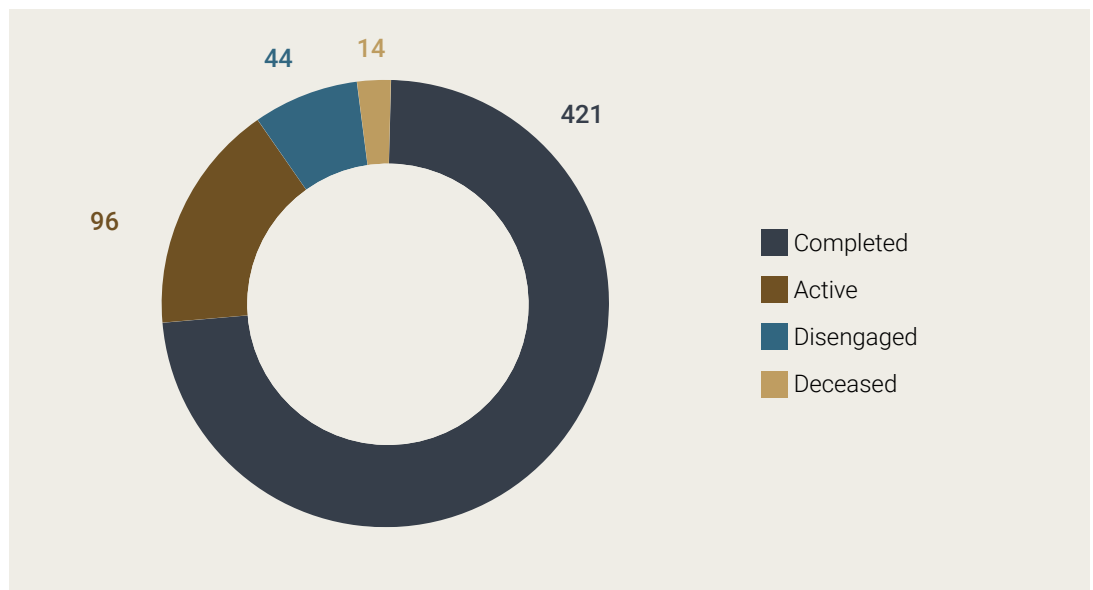
The Aspire Program is no longer enrolling new participants in the program under the Aspire SIB arrangement. Please see previous [Annual Investor Reports](#) for further information about enrolment numbers and the profile of participants at enrolment.

Participant engagement

The third year's enrolment group of 134 individuals reached the end of their three years of support during Year 6, bringing the proportion of the Intervention Group that has completed the Program to 75%. Four individuals in this 'completed' group sadly died during their time on the Program (in addition to six individuals in the first and second cohorts).

Of the 144 enrolled individuals yet to complete their three-year support period, 96 were actively engaging with the Aspire Program as at 30 June 2023, and four have died. This equates to a 31% disengagement rate, which is slightly higher than last year's disengagement rate (25%) and broadly consistent with the initially expected rate of 33%.

Figure 3 Intervention Group status at 30 June 2023



The active participant group are in the 'monitoring' phase of their Aspire support, where they transition to self-managing their life issues, tenancy, and employment to ensure they are self-reliant in coping with issues in the future.

"Thank you so much for everything you have supported me through. Knowing you were there has made such a difference to my life."

Carly³, Aspire Participant

3. The participant's name has been changed to protect their privacy.

Housing

467 participants were placed in housing over the first six years of the Program, representing 81% of the total Intervention Group. 16 (3%) of these placements occurred during Year 6.

In total, 322 participants have been housed by the SA Housing Authority, 136 participants were housed by a range of community housing providers and nine participants are housed in private rental properties. The median time Aspire participants have waited to be placed in a new home is 4 months.

Three active participants (3% of the total active group) remained unhoused at 30 June 2023, of which two remain on the waitlist for housing at the time of writing.

Aspire participants continue to be stable tenants, with **86% maintaining their tenancies⁴**, consistent with the figure reported at the end of Year 5. 7% of tenants have been evicted for non-payment of rent, incarceration, antisocial behaviour or following the completion of a fixed term lease. A further 7% have voluntarily ended their tenancies for a variety of reasons, moving in with a partner, family or friends and relocating to a property that better meets their health needs.

Employment and community engagement

Aspire continues to support participants to achieve their wellbeing and community participation goals. This may be through exploring hobbies and interests, volunteering, education and employment, dependent on the individual.

27 individuals secured employment during Year 6. This brings the total number of Aspire participants to have secured employment since the Program's commencement to 215 (37% of all participants enrolled). Most participants have been employed on a casual basis, receiving regular working hours.

The top employment industries for Aspire participants are as follows:

- Trades and construction
- Hospitality and tourism
- Community services and development
- Manufacturing, transport and logistics
- Commercial cleaning

This year, 18 individuals achieved other outcomes such as volunteering roles and joining community groups. Since Aspire began, 99 individuals (17%) have achieved outcomes of a similar nature. Five individuals commenced a course or other qualification this year, with 26 participants in total accessing education since the commencement of Aspire.

Overall, over half of participants have connected with education, employment or other goals.



A thank you card from an Aspire participant

4. Aspire participants who remain housed as at the completion of their three-year support period are assumed to have maintained their tenancy.

Stuart's Story⁵

Stuart was referred to the Aspire Program from a specialist homelessness service provider in 2020. When Stuart joined the Aspire Program, he was living in his car due to an incident at his family home which resulted in him having to leave with nowhere else to live.

Living in a car took its toll on Stuart's physical and mental health as he suffers chronic back pain and had poor mental health, including daily panic attacks. Stuart occasionally couch surfed which would offer some relief, but usually only one night at a time.

After four months in the program, Stuart was offered a home by the South Australian Housing Authority (SAHA). He has lived in that property for over two years (with his two cats), providing him with the stability to connect with a financial counsellor and mental health support to achieve his goals.

Aspire has also been able to help Stuart find a general practitioner who specialises in chronic pain management. It was important to find medical support that understood Stuart's condition and experience as there is often a stigma associated with people experiencing chronic pain, including being perceived as a 'drug seeker'. Stuart's back pain has reduced, partly due to a home gym he has installed and now uses at home, whilst he has also experienced a significant reduction in panic attacks. Stuart has also connected with Hutt St Centre's Occupational Therapist to work on strategies to live best in his home, improve his quality of life and manage his pain.

Throughout his time in the Aspire Program, Stuart has improved his relationships with friends and family. He meets with friends on a regular basis and has a relative who visits and stays with him overnight.

Stuart has previously had periods of employment, however, he has not been able to sustain employment due to his chronic back pain preventing him from performing required duties and the nature of the job aggravating his condition. Stuart's Aspire Case Navigator has been able to help Stuart advocate to his employment service provider about his physical and mental health, which has resulted in the employment service provider adjusting his mutual obligations and gaining a better understanding of Stuart's capabilities.

Stuart enjoys playing video games, and recently he has been able to turn this hobby into a means of earning additional income through video game streaming. This also provides Stuart with a social outlet as he interacts with the many people who watch him play.



5. The participant's name has been changed to protect their privacy.

Aspire Team

The Aspire team was generally at or close to planned resource levels over the year to June 2023. The planned team size at that point (including two roles self-funded by Hutt St Centre which are not funded by the Aspire SIB) was 7 FTE.

The State Government extended the delivery of Aspire for a second time in 2023, which will enable Hutt St Centre to retain experienced Case Navigators until the end of the Aspire Program under the social impact bond funding arrangement (30 June 2024). The team provides integrated support to SIB-funded and extension-funded participants, operating as one team at an operational level, while data collection and analysis is conducted separately for the participant groups.

Year 6 saw the team return to 'business as usual' with Covid-19 restrictions easing. This meant the entire Aspire team could return to the office and more in-person support with participants could be provided.



Outcomes

The outcomes data set out in this section is drawn from Deloitte’s certification report for the 30 June 2023 Calculation Date.

Measurement Years

Outcomes for each individual are measured over the three-year period commencing on their enrolment date. Individuals who have died are excluded from measurement after the date of their death. The table below compares the planned and actual aggregate ‘Measurement Years’ recorded up to Calculation Date 6.

Table 2 Measurement Years

	Plan	Actual	Variance
Measurement Years	1,725 years	1,618 years	-6%

There will be a maximum of 1,702⁶ Measurement Years recorded over the full contract. Accordingly, 95% of total outcomes have been measured at this point.

Service Utilisation Reduction

The table below sets out the counterfactual and recorded rate of service utilisation for each metric and the percentage Reduction achieved. Data is presented on a cumulative basis and as such covers the first six years of the Program in total. **Outcomes across all metrics are above the Outperform scenario as identified in the Information Memorandum.**

Table 3: Service Utilisation Rates

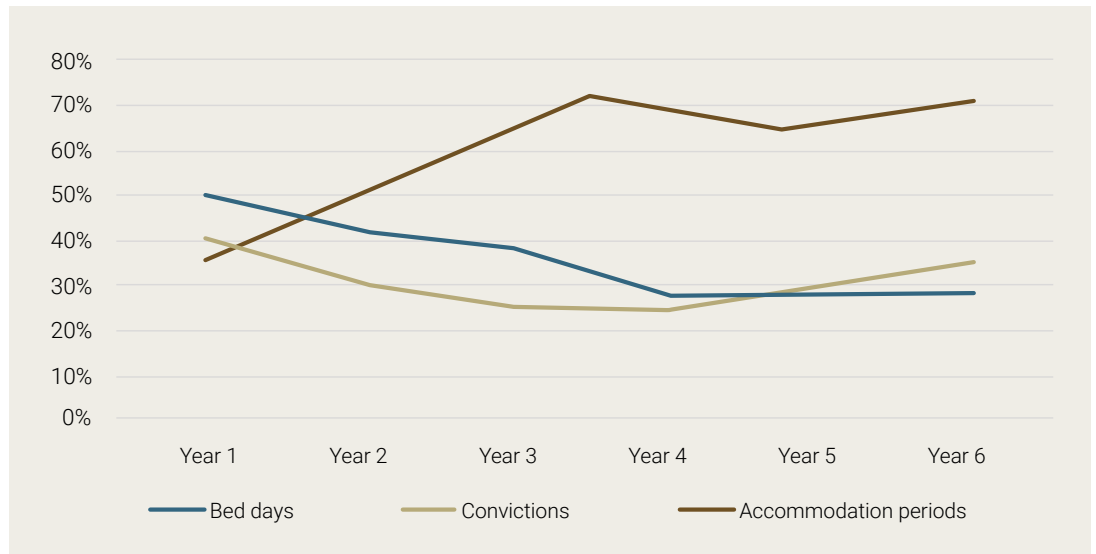
Outcome metric	Counterfactual Rate Per Person	Recorded Rate Per Person	Initial Target Reduction	Actual Reduction
Hospital bed days	5.9 pa	4.3 pa	15%	28%
Convictions	1.2 pa	0.8 pa	15%	35%
Accommodation periods	1.1 pa	0.3 pa	50%	71%

The Reduction in service utilisation at each of the first six Calculation Dates (for the cumulative results to date at each point) are shown in Figure 4 on the following page.

6. This figure reflects both enrolments and the number of deaths that have occurred amongst participants.

7. At inception, the counterfactual rates were: Bed days – 3.3; Convictions – 1.3; Accommodation – 2.0

Figure 4 Reduction in service utilisation



Health outcomes

Health outcomes, as measured by the reduction in hospital bed days, remain strong compared to the original plan. It should be noted that the Year 5 health outcome⁸ has been restated this year due to the discovery that a participant did not appear in the linked dataset. This individual was known to the Aspire Program by a different name to the names recorded in the health dataset. As a result, the participant’s health data was not initially linked to the dataset. Following this discovery the recorded rate of hospital bed days (4.3 per annum) is now higher than appeared in the Year 5 report (4.0 per annum).

Justice outcomes

As outlined in the circulating resolution dated 18 July 2022, the number of Recorded Convictions now includes an allowance for convictions that will arise in respect of unfinalised offences at each Calculation Date. Unfinalised offences are assumed to lead to a conviction at the same rate as cases finalised over the program to date, which was 72% as at Calculation Date 6. Estimates are replaced by actual outcomes as cases are finalised.

There was a small improvement in justice outcomes this year, which is in part due to the change in approach described above. Some offence data for Years 1-5 has ‘matured’ since the 30 June 2022 data and only 33% of finalised offences resulted in a conviction, compared to the estimated 75%.

Accommodation outcomes

Participants have continued to record a significant reduction in use of crisis accommodation services, which reflects the increasing proportion of participants who are permanently housed.

Avoided Services

Taken together, the Reduction in the rate of service utilisation per annum, the Measurement Years, and the number of individuals who have completed their Aspire support determine the number of Avoided Services. Avoided Services includes captured avoided services (arising during individuals’ three-year support period) and future avoided services (estimated for the individuals who have completed their three-year Aspire support period).

$$\text{Avoided Services} = \text{Counterfactual Rate} \times \text{Reduction} \times (\text{Measurement Years} + 5 \times \text{Completed Individuals})$$

8. Last year the Year 5 health outcome was reported as a 43% reduction relative to the baseline.

Table 4: Avoided Services at end of Year 6

Outcome metric	Planned Avoided Services	Actual Avoided Services	Variance
Hospital bed days	1,968	6,091	3.1x
Convictions	775	1,421	1.8x
Accommodation periods	3,975	2,847	0.7x

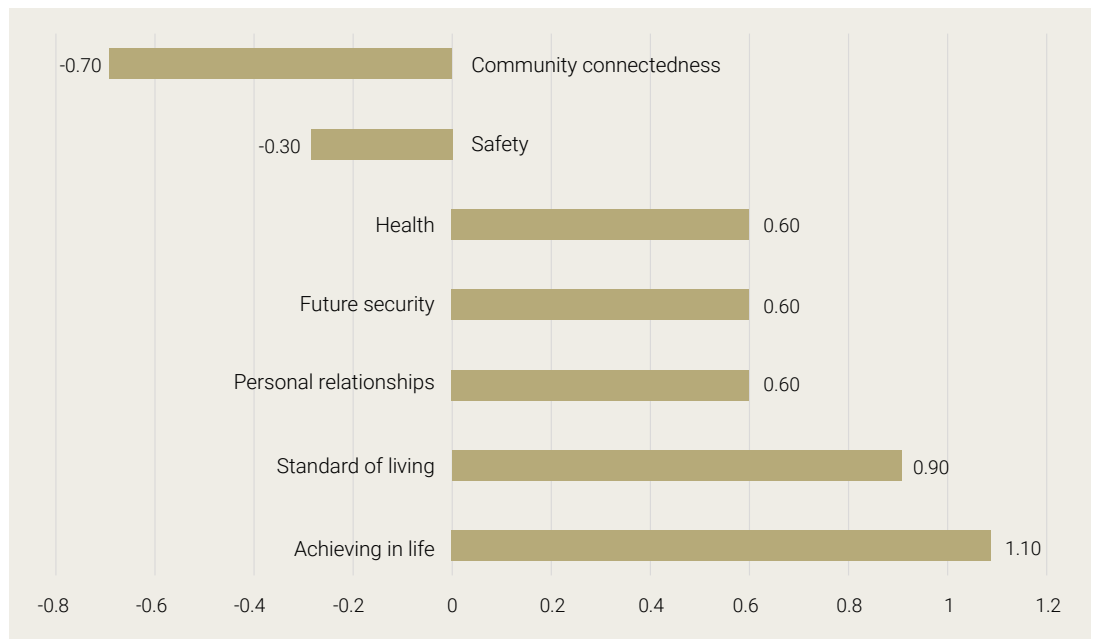
The variance in avoided services relative to the initial plan reflects amendments to the Counterfactual Rates as well as the actual number of participants, the number of deaths and the recorded Reductions in service usage.

Wellbeing outcomes

Hutt St Centre uses the Personal Wellbeing Index (PWI) to measure changes and improvements in wellbeing across all of their programs.

The PWI was implemented in February 2021, and the sample size of participants who have completed initial and progress assessments remains relatively small, so results should be interpreted with caution. Improvements in scores (out of 10) across each of the seven domains measured are set out below.

Figure 5 Changes in Personal Wellbeing Index scores



The PWI is intended to be completed on a quarterly basis with each active participant, however, not all participants complete every PWI. Participants lives may change from one PWI to the next, which may result in a positive or negative change in recorded PWI scores.

Financial report

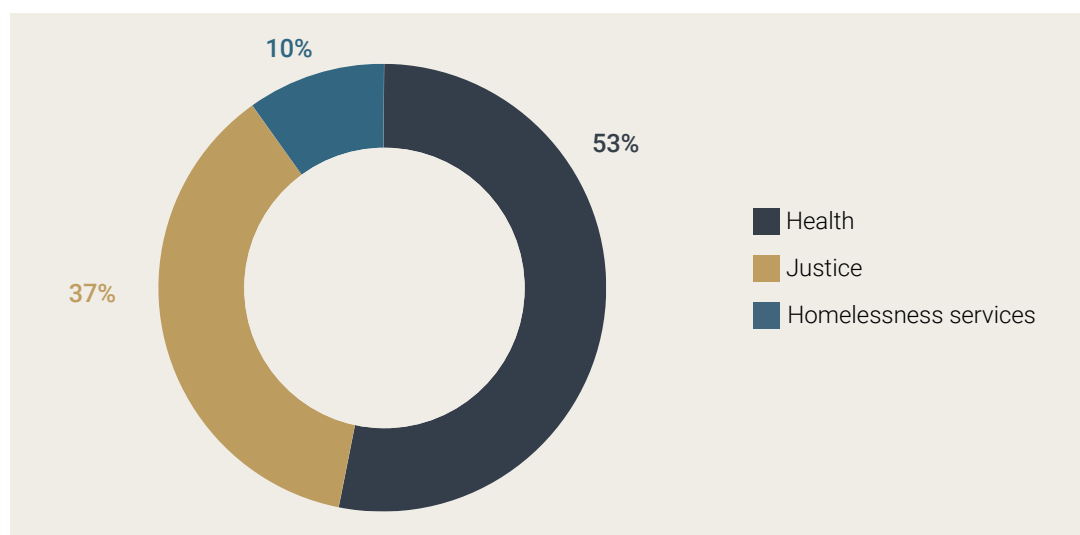
Program Savings and Outcome Payments

Based upon the avoided services detailed above, the Aspire Program has generated total SA Government **savings of \$32.7 million** over the six years to 30 June 2023, which is almost 200% of the initial plan. Of these savings:

- \$14.6 million relates to captured avoided services (arising during individuals' three-year support period); and
- \$18.1 million relates to future avoided services (estimated for the individuals who have completed their three-year Aspire support period).

The breakdown of savings by service area is illustrated below.

Figure 6 Proportion of Government Savings by Service Area



The Outcome Payment made by the SA Government following Calculation Date 6 was determined as:

- 100% of the first \$13.5 million of cumulative program savings; plus
- 50% of the next \$15 million of cumulative program savings; less
- all previous payments (\$19.28 million to date), and
- subject to a cap of \$21 million.

Accordingly, an Outcome Payment of **\$1.72 million** was paid to the Aspire SIB Trust on 30 November 2023. The cap has been reached so no further Outcome Payment will be made in respect of the final Calculation Date (Calculation Date 7).

Trust Assets and Cashflow

Performance Coupons in 2022-2024 and redemption payments, including redemption payments on termination, are linked to the value of assets in the Trust. From its commencement in April 2017 to 30 November 2022, cashflows to and from the Aspire SIB Trust (excluding GST) were as follows:

Table 5: Aspire SIB Trust cashflows from inception to 30 November 2022 (\$m)

	Target	Actual	Variance
1. Note subscription amounts	9.00	9.00	-
2. Government payments	15.14	21.00	5.86
3. Interest on cash⁹	0.83	0.83	-
Total Inflows	24.98	30.83	5.85
4. Payments to Hutt St Centre	10.33	10.68	0.35
5. Management and other costs	1.45	1.25	(0.20)
6. Investor Coupons	0.77	7.35	6.59
7. Note redemption payments	8.00	8.00	-
Total Outflows	20.55	27.28	6.73
Trust Assets	4.43	3.55	(0.89)

Trust Assets are held in term deposits and cash accounts.

The Aspire SIB Trust audited accounts are lodged with the Australian Charities and Not-for-profits Commission on an annual basis, and PwC recently issued an unqualified audit opinion on the FY23 accounts.



Hutt St Centre CEO, Chris Burns, presenting at the Housing and Homelessness Forum in Darwin

9. Does not include interest accrued on current term deposits.

Coupon payment

A Performance Coupon is payable within 10 business days of Coupon Determination Dates 5, 6 and 7. Coupon Determination Date 6 is 31 December 2023.

The Performance Coupon will be determined as each Noteholder's pro rata share of the Distributable Trust Assets as at Coupon Determination Date 6.

The Distributable Trust Assets are determined as the Trust Assets less the aggregate of:

- a. the maximum prospective amounts payable to Hutt St Centre under the Services Agreement and to SVA under the Management Deed;
- b. an appropriate allowance for any other future debts and liabilities, including payments to the Independent Certifier; and
- c. the outstanding principal amount of the Notes then on issue.

An estimate of the Distributable Trust Assets as at 31 December 2023 is included below.

Table 6: Estimated Distributable Trust Assets as at 31 December 2023 (\$m)

	Actual
Trust Assets at 30 November 2023 (as per above) ¹¹	3.55
Other receivables	0.02
Maximum prospective contractual payments	(0.72)
Allowance for future debts and liabilities ¹²	(0.05)
Outstanding principal amount of all Notes	(1.00)
Distributable Trust Assets	1.80

If the Distributable Trust Assets as at 31 December 2023 are \$1.80 million, **a coupon of \$179.58 will be payable on each \$100 Note on issue** on or before 15 January 2024. The exact amount will be advised when the coupon payment is made.

Redemption Amount

No Redemption Amount is payable in respect of Coupon Determination Date 6 (31 December 2023) as the maximum early redemption amount has been reached.

A final Redemption Amount of \$1.00 million is expected to be payable in respect of Coupon Determination Date 7 (31 December 2024).

10. Includes a performance payment to Hutt St Centre of \$0.49m.

11. Includes an Outcome Payment of \$1.72m paid on 30 November 2023.

12. Independent Certifier fees.

Projected Noteholder Payments

The projected Noteholder cashflows under the terms set out in the Information Memorandum and the Circulating Resolutions issued in 2020 and 2022 are included in the chart below.

To generate these projections, the following assumptions have been made:

- Future performance (Reduction in service utilisation) is maintained at the current level in the final year of the Program
- 4.0% pa earnings on cash balances
- Maximum contractual payments to Hutt St Centre

All coupons and redemptions are paid on or about 31 December in the relevant year; capital drawdowns occurred on 31 March in the relevant year.

Figure 7 Actual and Projected Noteholder payments per \$100 invested



These actual and projected cashflows (based on the assumptions set out above) represent an **internal rate of return of 14% per annum**. Neither SVA Nominees Pty Ltd as trustee of the Aspire SIB Trust (the issuer of the Aspire SIB Notes), Social Ventures Australia Limited, Hutt St Centre, nor any other person guarantees that the projected outcomes will be achieved. If the actual outcomes achieved differ from the projected outcomes, then the rate of return on the Notes may differ from that projected.

Disclaimer and confidentiality

This document has been prepared by Social Ventures Australia Limited (ACN 100 487 572) (**SVA**) as the Manager of the Aspire SIB Trust. Please refer to the Information Memorandum and the SIB Deed Poll and Purchase Deed for the Aspire Social Impact Bond dated 1 February 2017 for information on structure and terms. The information contained herein should be considered as indicative only and does not purport to contain all the information that any recipient may desire. SVA does not provide financial advice and recipients should seek independent financial advice. Further, statements in this report are not intended to be tax advice and investors should consult a professional tax adviser, if necessary, for tax advice required in connection with completion of tax returns.

Investors should note that past performance of the Aspire Program should not be treated as an indication of future performance. This document and all the information contained in it must not be disclosed to any person or replicated in any form without the prior written consent of SVA Nominees Pty Ltd (ACN 616 235 753) in its capacity as trustee of the Aspire SIB Trust.

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