

# Side by Side Social Impact Bond

Annual Investor Report  
Issued May 2022



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# Foreword

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Dear Investor,

Social Ventures Australia is pleased to present the first Side by Side Social Impact Bond (**Side by Side SIB**) Investor Report.

Since the Side by Side SIB commenced in December 2020, the Side by Side Program has partnered with schools across the Northern Melbourne and Gippsland regions in Victoria to improve the engagement, attendance and learning outcomes of eligible students in Years 1 to 4.

Lockdowns and periods of remote learning over the past two years have significantly disrupted the education setting in Victoria. The Side by Side team has remained flexible and adapted services during these Covid-19 disruptions, providing important support for participating students and their families. However, program delivery has been unavoidably impacted. Berry Street and VACCA are working with schools and families to ascertain what additional support is needed this year for the 2021 cohort, with a focus on developing strong links with other relevant services.

Covid-19 also continued to have a material impact on student attendance throughout 2021, and it is acknowledged by all parties that attendance improvement data is unlikely to be a reliable indicator of underlying engagement and the impact of the Side by Side Program this year. Following collaborative discussions, it has been agreed to fix the intervention year attendance improvement at the target level of 22% for the incoming cohort of students, consistent with the approach for the first cohort.

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

Kind regards,



A handwritten signature in black ink, appearing to read 'Elyse Sainty', written in a cursive style.

**Elyse Sainty**  
Director, Impact Investing,  
Social Ventures Australia

# Side by Side SIB Overview

The Side by Side SIB funds the delivery of the Side by Side Program in Victoria, which is delivered by Berry Street Victoria Incorporated (**Berry Street**) and the Victorian Aboriginal Child Care Agency Co Op Ltd (**VACCA**), in partnership with the Victorian Department of Education and Training (**the Department**). The Side by Side SIB has a term of 6.25 years and utilises \$5 million of investor capital.

## Side by Side Program

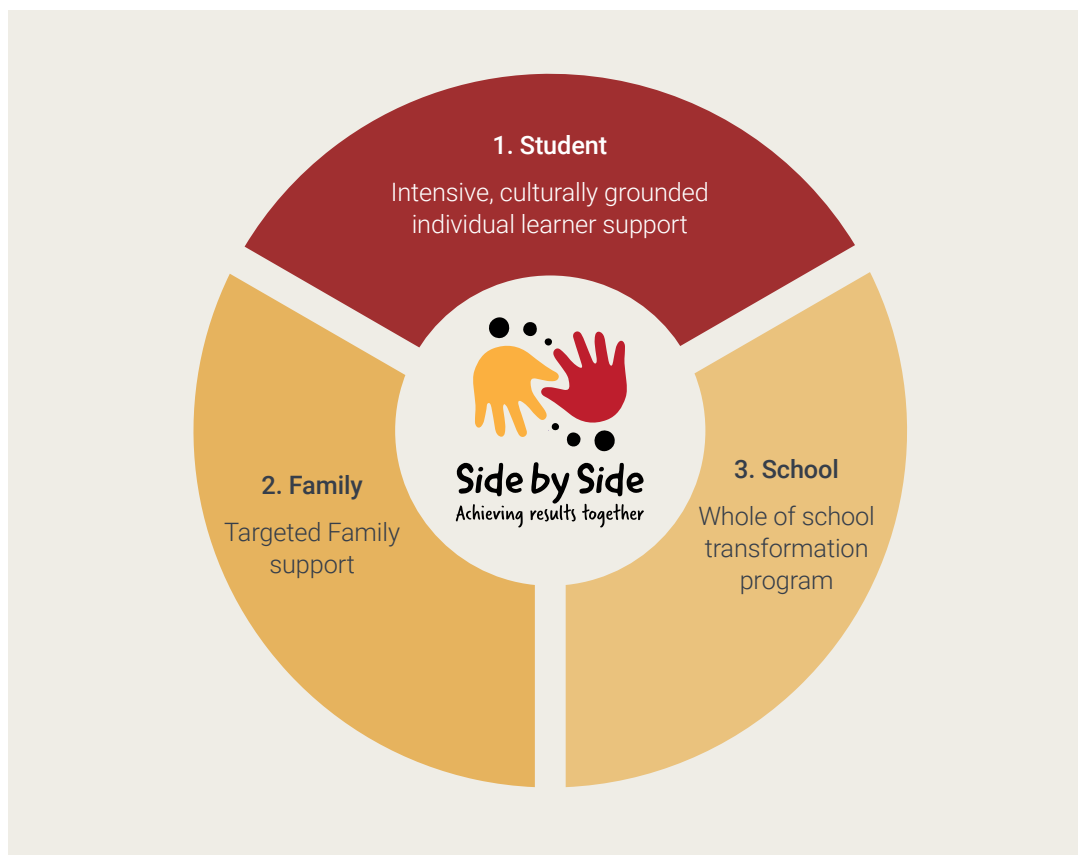
The Side by Side Program aims to support students in early primary school (Years 1 to 4) to increase their attendance and engagement at school, and to address key gaps in their learning. The Program prioritises working with Aboriginal and Torres Strait Islander students, who are primarily supported by Program staff drawn from VACCA.

The Side by Side Program provides:

- 12 months of individualised family and student support and tuition (with an additional year of monitoring and follow-up support), aimed at supporting parent and family engagement and building the motivation and capacity of individual students to engage and learn at school; and
- a whole of school development and transformation program, aimed at helping schools to understand and apply a culturally sensitive, trauma-aware model of education.

The Program is designed to support students across their home and school life in an integrated and coordinated way.

**Figure 1 Side by Side Program integrated model of support**



## SIB overview

The Side by Side SIB is underpinned by an outcomes-based contract between the Department and Berry Street. Payments will be made to Berry Street by the Department based upon the level of improvement in participating students' school attendance over two years, measured relative to their attendance in the year prior to enrolment in the Program.

To fund the Side by Side Program prior to the receipt of the outcome-linked payments, Berry Street borrowed \$5 million from the Side by Side SIB Trust<sup>1</sup>, which in turn raised capital from investors through the issue of Notes.

## Investor returns

Investors will receive a 1.5% per annum Fixed Interest Payment over the first 5.25 years of the bond, and a Performance Interest Payment at maturity which is determined by the level of improvement in attendance, as is the proportion of principal repaid on maturity.

Under the assumptions set out in the [Side by Side SIB Information Memorandum](#) dated 22 October 2020, investor returns vary with the level of program performance as illustrated in Table 1.

**Table 1 Side by Side SIB Noteholder returns under initial assumptions**

	Underperform	Below Target	Target	Above Target	Outperform
<b>Overall Attendance Improvement<sup>2</sup></b>	10%	16%	22%	28%	>30%
<b>IRR (% per annum)</b>	-1.6%	2.5%	6.0%	9.0%	9.9%
<b>Performance Interest Rate</b>	-	7.5%	30%	52.5%	60%
<b>Principal Returned</b>	85%	100%	100%	100%	100%

If performance is tracking well below target, an Early Termination may eventuate. The minimum proportion of investor principal which would be repaid in that circumstance is 70%.

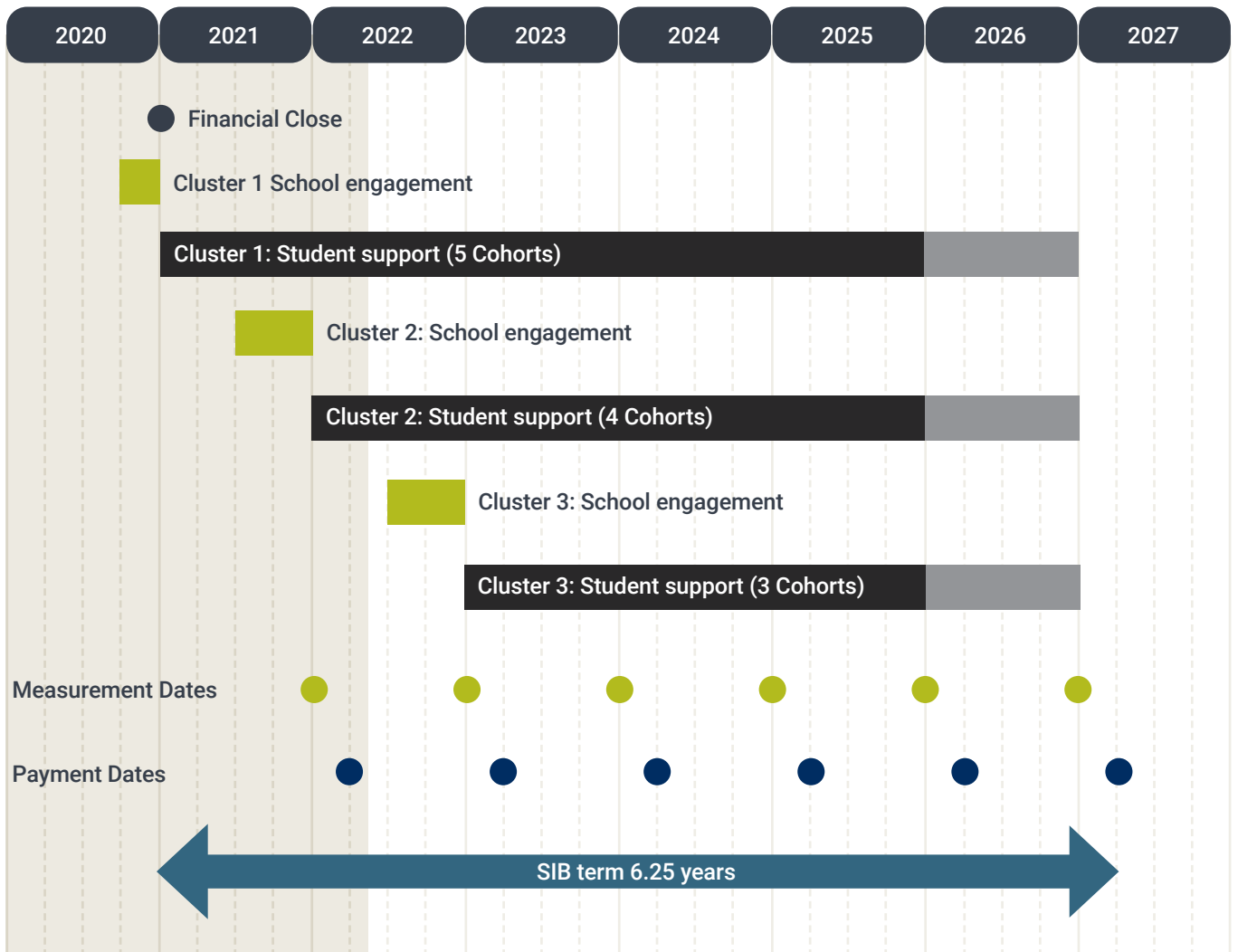


1. The Side by Side SIB Trust is the issuer of the Side by Side SIB, and is managed by Social Ventures Australia Limited.

2. Overall Attendance Improvement is the weighted average of attendance improvement for the Intervention Year (60% weight) and the Monitoring Year (40% weight), each of which measure the improvement in absenteeism for participating children relative to the year prior to their enrolment, adjusted for historical attendance patterns.

# Timeline

Figure 2 Side by Side SIB timeline



# Program Update

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## School engagement

It is planned that three school 'clusters' will progressively commence the Side by Side Program over the first three years of operation.

The process of onboarding schools in the first cluster in Northern Melbourne commenced later than originally planned due to delays in concluding contract negotiations. This reduced the opportunity for proactive engagement during the establishment of the Program, an issue which was compounded by restrictions on school on-site visits and direct communication that were imposed in response to Covid-19, making it difficult for the Side by Side Program team to establish strong relationships with school leadership. A more proactive and collaborative approach has been taken in relation to inducting the second cluster of schools in the Gippsland region.

Five schools across the Northern Melbourne and Gippsland regions are currently participating, with plans for a further three in Western Melbourne to be onboarded during this year.

One school in the Northern Melbourne cluster commenced in Year 1 but has elected not to participate further. The school will be replaced as soon as possible this year, with consideration given to the number of eligible students, the priorities of the potential replacement school and operational feasibility for Berry Street and VACCA.

Despite this setback, feedback from other participating schools has been positive, with the Side by Side Teacher seen as providing highly valuable support, including:

- having an additional person in the classroom, which helps lessons run more effectively;
- building capability of other teachers and education support staff, utilising strategies covered in the whole-of-school training; and
- attending staff meetings results in "cross-pollination" of knowledge for teachers.

*"One student – this kid didn't smile – through the work of Side by Side, this boy comes in smiling every day. We are now seeing Mum at school and before I didn't know what the Mum looked like."*

- School principal

## School development

The whole of school transformation process is delivered by a specialist team and incorporated into each participating schools' annual professional development program. The training supports the schools to better understand cultural safety and the impact of individual or family trauma on student attendance. It also helps schools to build their skills to develop a strengths-based, culturally responsive and trauma informed whole school educational approach.

It was anticipated that schools would receive four days of professional learning in the six months prior to the individualised support component of the Program commencing in that school. As the Program did not formally commence until mid-December 2020 and schools' professional development programs were disrupted by Covid-19, the whole of school transformation process for the Northern Melbourne cluster schools was unable to commence until April 2021. Training in participating schools is now well underway, setting them up for future years. The whole-of school transformation process has commenced for the three Gippsland cluster schools. Work will continue to be undertaken by participating schools and the Side by Side Program team to integrate the training into their day-to-day practices.

## Student numbers

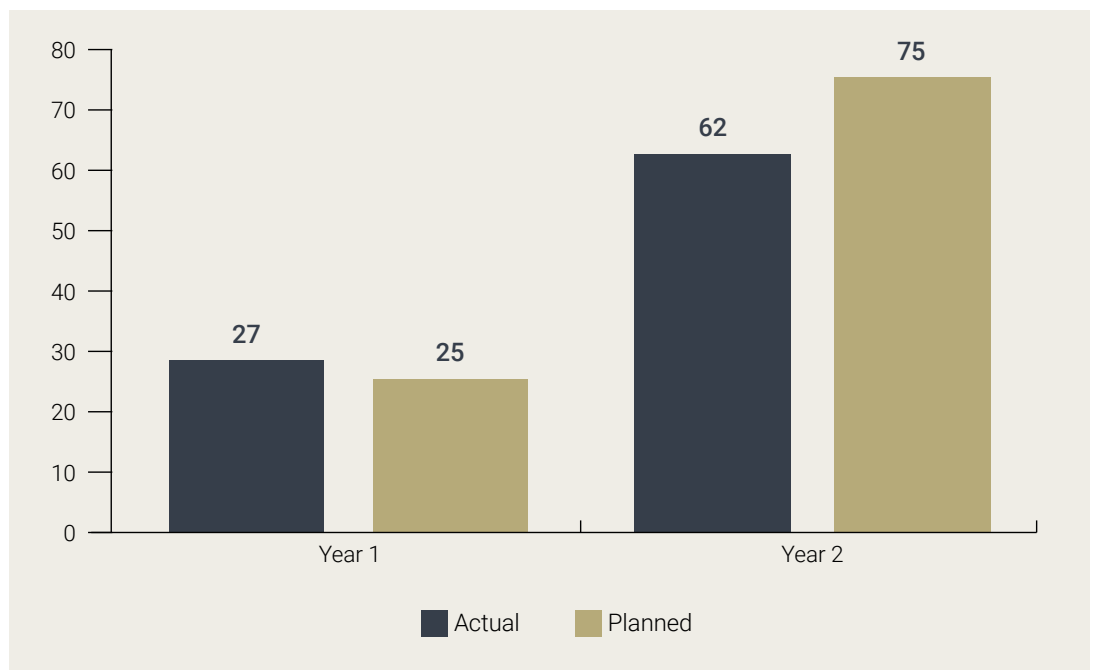
It is planned that each participating cluster of schools will collectively enrol 25 students in the Side by Side Program each year, with approximately 300 students enrolled over five years.

The first cohort of Side by Side Program participants comprised 27 students from 24 families, including one student who moved schools in Term 3. The 2021 school year started with only five enrolled students due to the delayed commencement of school induction, and the additional 22 students were enrolled over the first few months of the year. 13 of the first cohort (48%) identify as Aboriginal and/or Torres Strait Islander.

To date, 35 students have been enrolled into the second cohort, against the target of 50 for the two school clusters.<sup>3</sup> Enrolments for Year 2 are expected to be finalised in late May. 10 students (29%) identify as Aboriginal and/or Torres Strait Islander. The lower than planned enrolments during the second year is due to a low number of referrals being received from the Northern Melbourne cluster, primarily related to the withdrawal of one school.

In total, the number of children enrolled in the Intervention Group is at 83% of plan.

**Figure 3 Cumulative enrolments**



One student enrolled last year has been formally exited from the Intervention Group after the student relocated overseas with their family.

<sup>3</sup> The Program is supporting one non-eligible student in addition to the 35 enrolled eligible students.

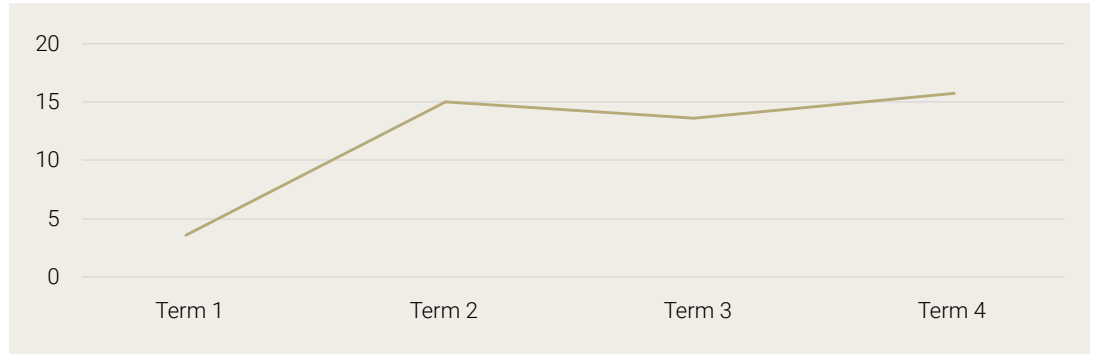


## Student and family engagement

All participating students and families engaged with the Program to some extent during Year 1, despite lockdowns and remote learning limiting access to classrooms and face to face engagement.

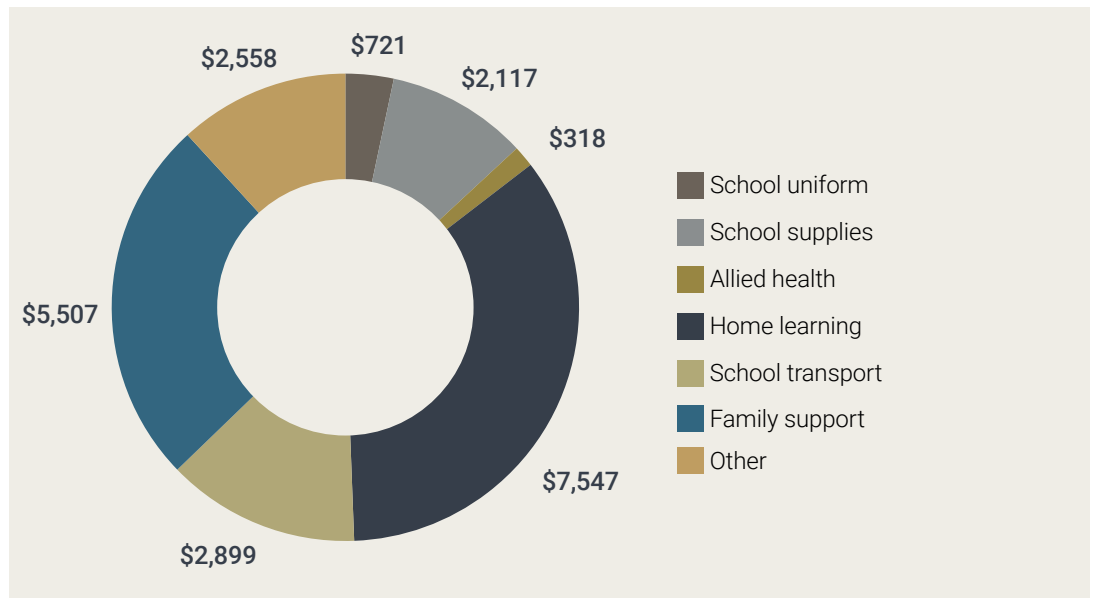
The average number of contacts that each participating family had with the Side by Side Program was 12 per school term.

**Figure 4 Average family contacts per school term**



Brokerage funds have been a useful tool to support school attendance, with almost \$22,000 being spent in 2021. A large portion of the spend (35%) was used on tailored home learning packs to support continued engagement with school during periods of remote learning. Home learning packs were developed based on each student's individual learning needs, with some packs including workbooks and activities, arts and craft, and reading materials. The Side by Side Program team has focused on using brokerage funding proactively, by collaboratively engaging with families and schools to determine how to support a student's attendance, engagement and attainment.

**Figure 5 Brokerage spend in 2021**



## Jordan's Story<sup>4</sup>

Jordan and his siblings all identify as Aboriginal. Jordan's mother is very supportive of her children's culture and encourages them to connect to Aboriginal cultural activities through their schools and VACCA.

Jordan's mother has been the sole carer in the family since his father was incarcerated for family violence. She regularly disengages with family support services and does not receive any counselling, often feeling overwhelmed and carrying feelings of shame.

Jordan and his siblings spend a lot of time playing video games. His older brothers frequently physically fight, making Jordan quite fearful of them. Jordan has an aversion to water which can negatively impact his personal hygiene.

Jordan would often arrive late at school without having eaten breakfast, and would sometimes fall asleep on his classroom floor or desk. Jordan displayed anxious behaviour, negative self-talk and a fear of making mistakes. Jordan was performing below a 'standard' level in personal and interpersonal capabilities, as indicated by his classroom teacher in semester reports.

Since joining the Side by Side Program, Jordan and his family have been provided a range of supports:

- Support with morning routines and transportation to school (when face to face outreach was permitted)
- Organised meeting with all services supporting Jordan and his family to develop a consistent approach and share their understanding of the family's circumstances and ongoing needs
- Provided one-on-one and group sessions to build positive self-talk and confidence and reduce anxiety about making mistakes, drawing upon Jordan's interests in drawing and encouraging conversations using picture story books
- Developed social and emotional interventions including sensory items to be used in classroom to address lack of stamina and falling asleep in class
- Provided a home learning pack to support continued connection to school and curriculum during lockdowns
- Provided cultural resources to strengthen and celebrate Jordan's Aboriginal identity, and encouraged reading for Aboriginal Literacy Week
- Organised for Jordan to participate in Art Therapy

Jordan has developed a trusting relationship with his Side by Side Program workers. He displays greater engagement in his learning and has become more willing to express his feelings and share stories and experiences about himself.



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

# Profile of Side by Side Program students

The following charts illustrate some characteristics of enrolled students.

Figure 6 Gender

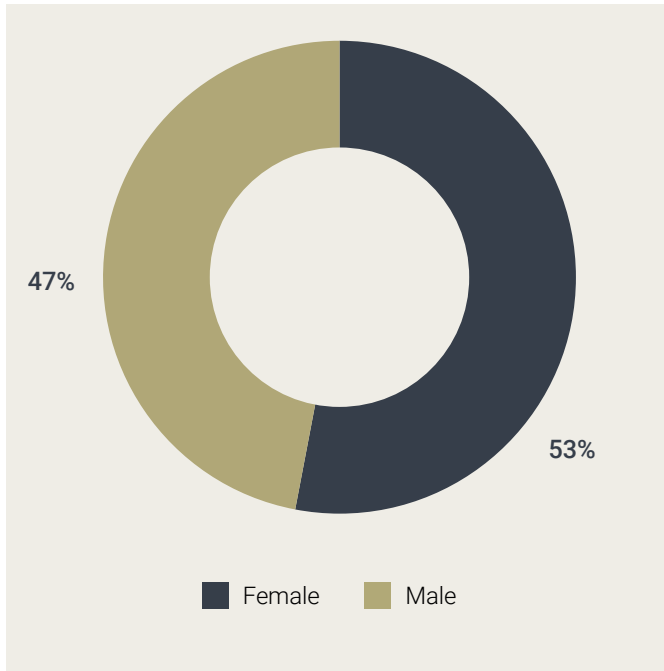


Figure 7 First Nations

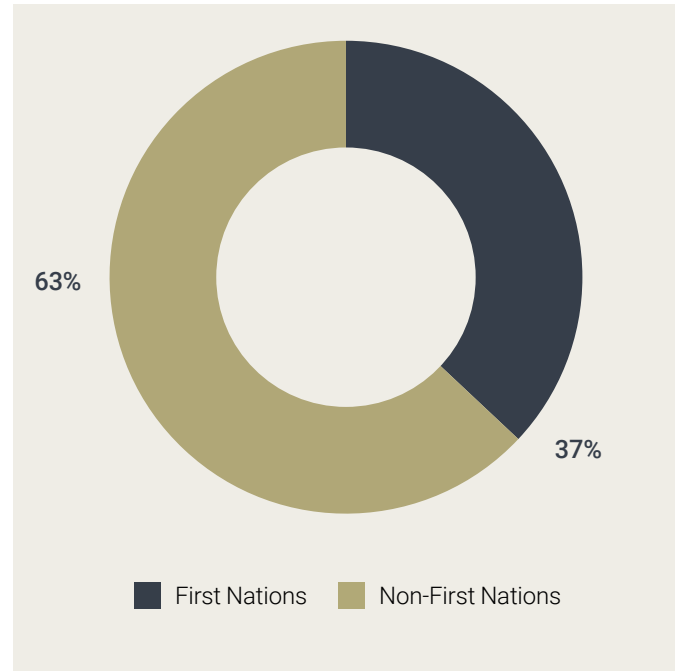


Figure 8 Year level

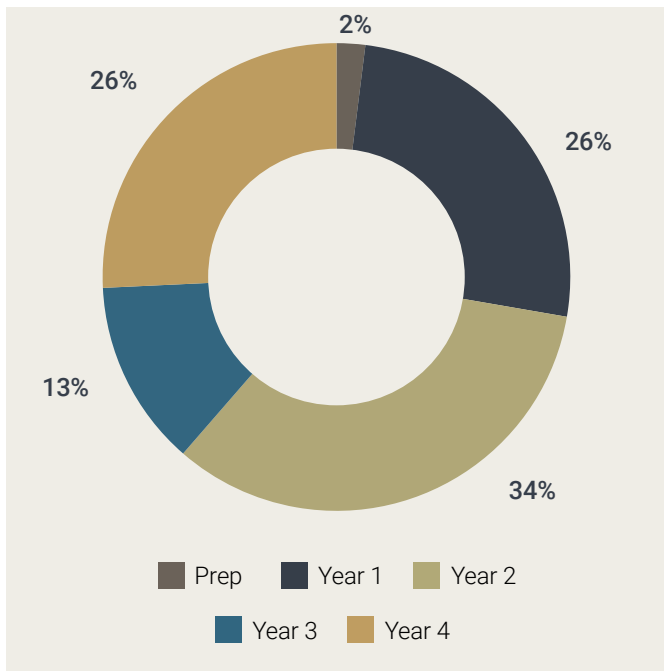
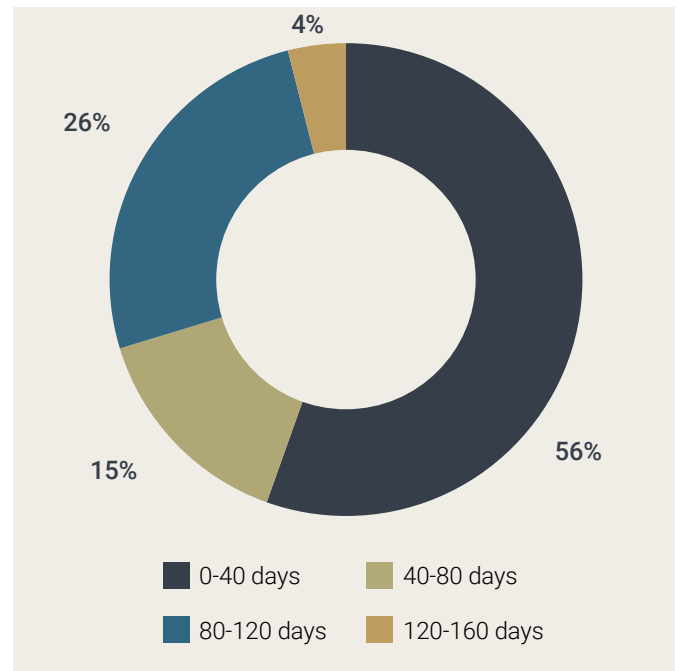


Figure 9 Days absent in Referral Year (cohort 1 only)



The 'Referral Year' is the school year prior to each student's participation in the Side by Side Program. To be eligible for the Program, students must have been absent from school for 21 or more days over the first three terms of their Referral Year, or absent for 14 or more days over the first three terms and assessed as under-attaining. It was initially anticipated that on average each student would have 44 Referral Year Days Absent, whereas the first cohort of students were absent for an average of 55 days each. It should be noted that school attendance patterns during 2020 (the Referral Year for the first cohort) were disrupted by Covid-19.

## Side by Side Program team

Berry Street and VACCA have filled all roles for the Side by Side Program teams in the Northern Melbourne and Gippsland clusters. Each team consists of one Team Leader, three Family and Education Case Managers (2 from Berry Street and 1 from VACCA) and two Side by Side Teachers.

Delays in finalising contracts in 2020 delayed recruitment and finalising enrolments for the first cohort, resulting in the Side by Side Program having to recruit and onboard staff during the enrolment period through to the end of Term 1.

The delay in finalising enrolments in both 2021 and 2022 has led to challenges in allocating Family and Education Case Manager resourcing between Berry Street and VACCA. This has caused delays in recruitment for both organisations and periods of under-resourcing for the Program. The allocation is reviewed annually and is determined based on the number of Aboriginal and/or Torres Strait Islander students electing to be supported by VACCA. This necessitated the use of short-term contracts, resulting in the departure of some Family and Education Case Managers due to uncertainty surrounding contractual renewal.

Recruitment for the third cluster team is expected to commence in mid-2022.



### Introducing Hayley

Hayley Pethica is the Side by Side Program Manager, commencing at Berry Street in October 2019.

Hayley brings almost 15 years of experience working in the education and social sector to her role managing the Side by Side Program, including working in the Engaging Students at Risk Branch in the Department of Education and Training. This involved working across the Department to deliver targeted and local responses to barriers that limit participation in early learning and education for priority cohorts of children and young people.

*“Leading the implementation of the Side by Side Program has been a wonderful and valuable opportunity for me to bring together a passionate multidisciplinary team of educators and family clinicians working together in a trauma-informed and culturally responsive approach with our partner agency VACCA.*

*I was drawn to this program because its holistic and collaborative approach provides our team with such a privileged opportunity to be side by side with everyone involved in a child’s early education journey, including their families and schools. We are connecting, supporting and problem solving together, so the child can access and is actively engaged in the transformational power of education.”*

Berry Street and VACCA staff work closely together to develop practices and resources for the Side by Side Program which can be used by both organisations. Close collaboration and regular engagement between the Berry Street and VACCA staff ensures that there is opportunity to review and reflect on whether the Side by Side practices, approaches and resources are connecting to the culture and values of each organisation.

## Sarah's Story<sup>5</sup>

Sarah is a 9-year-old First Nations student referred to the Side by Side Program by one of the Northern Melbourne schools. Sarah had experienced a traumatic and disrupted early childhood, with multiple out of home care placements. Lacking a safe and stable home environment for many years, she had also experienced significant disruption to her early school years.

When referred to the Side by Side Program, Sarah was living in a stable kinship placement. However, there were significant barriers to her engaging in school life, such as emotional and sensory dysregulation, adjusting to change and transitions, decreased stamina in learning and difficulty managing peer relationships.

The Side by Side Program team provided a wrap-around support system that entailed advocating for and engaging with carers, and providing individual support for her at school. The Side by Side Teacher and Family Worker built trusting and reliable relationships with Sarah, her carers, the school and other agencies involved with the family. Working together on aligned goals, positive developmental outcomes were achieved.

Sarah received social, emotional and phonological awareness support three times a week with the Side by Side Teacher. Throughout her literacy sessions, a trauma informed approach was used to help improve engagement and stamina in learning by strengthening emotional regulation and self-efficacy. Literature and resources were carefully selected to ensure Sarah felt culturally represented in her learning at school and home.

Sarah has made excellent gains both academically and in her readiness in learning. Teachers and the school principal noticed significant changes in Sarah's ability to participate in group situations with sustained concentration. Sarah's confidence and positive self-talk blossomed the more she participated in her learning. Her persistence grew and she became willing to embrace new challenges. Teachers observed an entire year's growth in reading skills, the most growth achieved in her academic school life.

Sarah has also significantly improved her social and emotional skills, using visual charts to identify her feelings and regulation strategies to help her stay calm.

The Side by Side Teacher and Family Worker supported Sarah, teachers and carers to adopt these social and emotional strategies at home and school. They were particularly beneficial for the carers to support home learning during lockdowns and when Sarah had to learn from home due to a medical procedure.



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

# Outcomes

The outcomes data set out in this section are drawn from BDO's independent certification report for the 31 December 2021 Measurement Date.

## Covid-19 adjustment

As outlined in the [December 2021 investor update](#), Covid-19 has had a material impact on service delivery and student attendance. This impact was anticipated for the first cohort of students, and the Referral Year Days Absent were deemed to be at a level such that the Attendance Improvement (Intervention Year) is equal to the target level of improvement of 22%.

Covid-19 has had a greater impact than originally anticipated for the second cohort of students, and in particular on student attendance in 2021 (the Referral Year for that group of students).

After collaborative discussions, the parties agreed to extend the 'deeming' of the Referral Year Days Absent for an additional year to mitigate the impact of Covid-19 on the core outcome metric. The Attendance Improvement (Intervention Year) will thus be 22% for the second cohort of students.

## Recorded Days Absent

School absenteeism for participating students is measured over two years:

- their Intervention Year (IY), which is their first year on the Program; and
- their Monitoring Year (MY), which is the following year.

The Aggregate Recorded Days Absent (IY) at the first Measurement Date is 1,486.50 days, an average of 55.1 days for each of the 27 students who have completed their Intervention Year. Please note that while these absenteeism results are being reported for completeness, the impact of Covid-19 on student attendance during 2021 means that they do not provide a reliable indication of the impact of the Side by Side Program, and should be interpreted with care.

No students had completed their Monitoring Year at 31 December 2021, so the Aggregate Recorded Days Absent (MY) is nil.

## Counterfactual Days Absent

Absenteeism for the Intervention Group is measured against a baseline or counterfactual which is determined by:

- the attendance record for the Intervention Group members in their Referral Year; and
- a 'progression factor' based on historical absentee patterns for the target population. The progression factor is 88% for the Intervention Year and 85% for the Monitoring Year.<sup>6</sup>

However, as outlined in the [Side by Side SIB Information Memorandum](#), the Referral Year Days Absent for the first cohort of students is 'deemed' at a level such that their Attendance Improvement (Intervention Year) is equal to the target performance level of 22%. The Counterfactual Days Absent (IY) and Referral Year Days Absent for the first cohort is calculated as follows:

$$\text{Counterfactual Days Absent (IY)} = \text{Recorded Days Absent (IY)} \div (1 - 22\%)$$

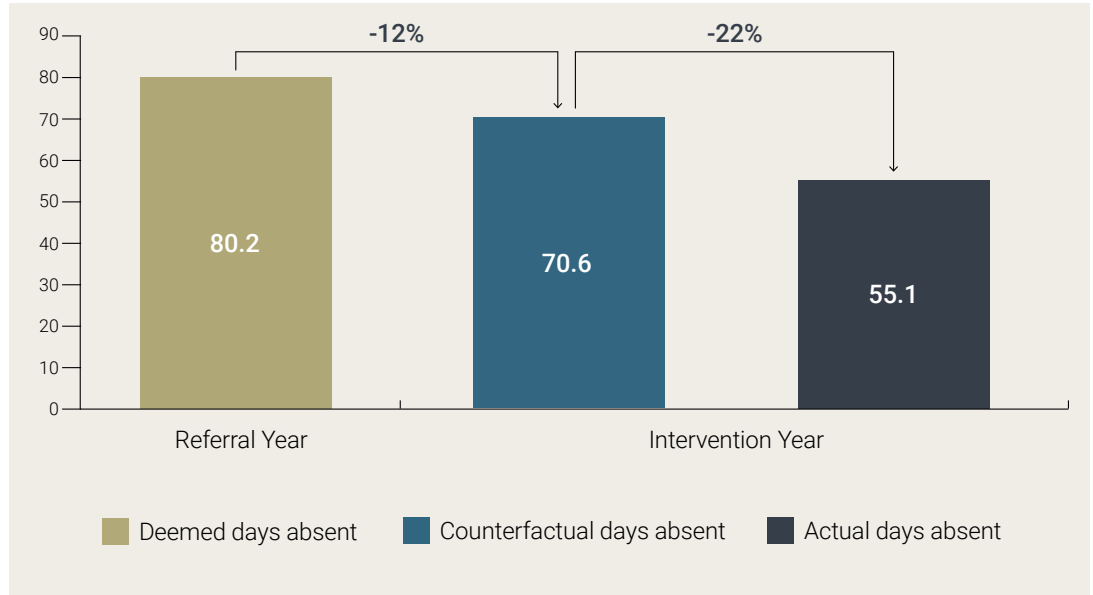
$$\text{Referral Year Days Absent} = \text{Counterfactual Days Absent (IY)} \div 88\%$$

6. \*Illustrative example: if a student is absent for 50 days in their Referral Year, their Counterfactual Days Absent (IY) is 50 x 88%, or 44 days, and their Counterfactual Days Absent (MY) is 50 x 85%, or 42.5 days.

Accordingly:

- the Aggregate Counterfactual Days Absent (IY)<sup>7</sup> at Measurement Date 1 is 1,905.77<sup>8</sup> days, an average of 70.6 days per student; and
- the Aggregate Referral Year Days Absent for the first cohort is 2,165.65 days, an average of 80.2 days per student.

**Figure 10 Average days absent per student**



## Attendance Improvement

The Attendance Improvement (IY) is calculated as follows:

$$\frac{(\text{Aggregate Counterfactual Days Absent (IY)} - \text{Aggregate Recorded Days Absent (IY)})}{\text{Aggregate Counterfactual Days Absent (IY)}}$$

Accordingly, the Attendance Improvement (IY) at the first Measurement Date is **22.00%**<sup>9</sup>.

As no students had completed their Monitoring Year at 31 December 2021, the Attendance Improvement (MY) cannot yet be calculated.

Investor returns are determined by the Overall Attendance Improvement, which is a weighted average determined as 60% of the Attendance Improvement (IY) plus 40% of the Attendance Improvement (MY).

## Independent evaluation

An independent evaluation has been commissioned to examine the broader outcomes achieved by the Side by Side SIB. The evaluation will supplement the core outcome metric data, and assess the relationship between measured school attendance and student wellbeing and learning.

The independent evaluation will be conducted by Deloitte Access Economics, who will report on the development process of the Side by Side SIB, Program roll out, governance and Program impact. Deloitte Access Economics will produce a formative, interim and final report over the course of the Side by Side SIB.

7. "Aggregate Counterfactual Days Absent (IY)" means, at each Measurement Date, the aggregate of the Counterfactual Days Absent (IY) for all Intervention Group members who have completed their Intervention Year. At the first Measurement Date the aggregate is equal to the Counterfactual Days Absent (IY) for the first cohort of students.

8.  $1,486.5 / (1-22\%)$

9.  $(1,905.77 - 1,486.5) / 1,905.77$

# Financial Report

## Interest payments

Under the terms of the Loan Agreement, Berry Street will make Fixed Interest Payments to the Side by Side SIB Trust on or around 31 March each year from 2022 to 2026, and a Performance Interest Payment on or around 31 March 2027.

The Interest Payment paid by Berry Street on Interest Payment Date 1 is calculated as follows:

$$\text{Fixed Interest Payment} = \$5,000,000 \times 1.5\% \times n / 365$$

Where **n** is a figure determined as:

$$n = (30\% \times 465) + (70\% \times 182)^{10} = 266.9$$

Accordingly, the Interest Payment from Berry Street in respect of Interest Payment Date 1 is \$54,842, or 1.097% of the principal amount.

## Coupon payments

Investor coupon payments are made following receipt of the Interest Payment from Berry Street. Investors receive a Coupon Amount representing their pro-rata share of the Interest Payment.

## Early termination payment

If the Side by Side SIB were to terminate for any reason during the year ending 31 December 2022, under the terms of the Loan Agreement investors would be repaid 100% of their principal.

10. The \$5m loan was drawn down in two instalments of \$1.5m (or 30%) on 21 December 2020 and \$3.5m (or 70%) on 30 September 2021. The figures of 465 and 182 are the number of days between the respective drawdown dates for the two instalments and the first Interest Payment Date.



# Disclaimer and confidentiality

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This document has been prepared by Social Ventures Australia Limited (ACN 100 487 572), (SVA) as the Manager of the Side by Side SIB Trust. Please refer to the Information Memorandum, SIB Deed Poll and Purchase Deed for the Side by Side Social Impact Bond dated 22 October 2020 for information on structure and terms. The information contained herein should be considered as indicative 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 Side by Side 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 Side by Side SIB Trust.

**Photo captions:**

*Cover: A Side by Side school training day.*

Social Ventures Australia

Brisbane | Darwin | Melbourne | Perth | Sydney | ABN 94 100 487 572 | AFSL 428 865

sidebysidesib@socialventures.com.au | socialventures.com.au | @Social\_Ventures

