

Resolve Social Benefit Bond

Annual Investor Report
Period ending 30 September 2019
Issued April 2020



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Foreword

Dear Investor,

Social Ventures Australia is pleased to present the second Resolve Social Benefit Bond (Resolve SBB) Investor Report.

At the end of September 2019, the Resolve SBB marked two years of service delivery. At that date, the program had enrolled 265 people who are experiencing mental ill-health in the Western NSW and Nepean Blue Mountains Local Health District regions. Participants are engaging well with the different program elements, including people staying overnight at the two centres in Orange and Cranebrook, receiving outreaching support in their homes and calling the warm line for phone-based support from peer workers.

Year 2 outcomes data and other socio-demographic and service usage data has now been extracted from NSW Health databases for both the Resolve Intervention Group and the matched Control Group. The results indicate that Resolve participants have experienced a significant reduction in health service usage relative to the year prior to their enrolment in the program, including a 68% decline in the number of days spent in hospital each year. However, this strong performance has not translated into a positive outcome relative to the Control Group, with the cumulative reduction in health service consumption relative to the control sitting at 4%, which is well below the Target level of 25%. This report provides further analysis of this result and describes the actions that will be undertaken by NSW Health, Flourish Australia and SVA in response.

In this report we also share a peer worker's perspective of the Resolve Program, as well as a participant story and summary findings from the Resolve baseline evaluation, which was conducted by the independent evaluator, Urbis.

Kind regards,



Elyse Sainty
Director, Impact Investing
Social Ventures Australia



Casey Taylor
Manager, Impact Investing
Social Ventures Australia

Resolve SBB overview

The Resolve SBB funds the delivery of the Resolve Program in the Western NSW and Nepean Blue Mountains Local Health Districts (LHDs). The program is delivered by Flourish Australia, a highly experienced mental health service provider and a national leader in the employment and support of mental health peer workers. The Resolve SBB has a 7.75 year term and utilises \$7 million of investor capital.

Resolve Program

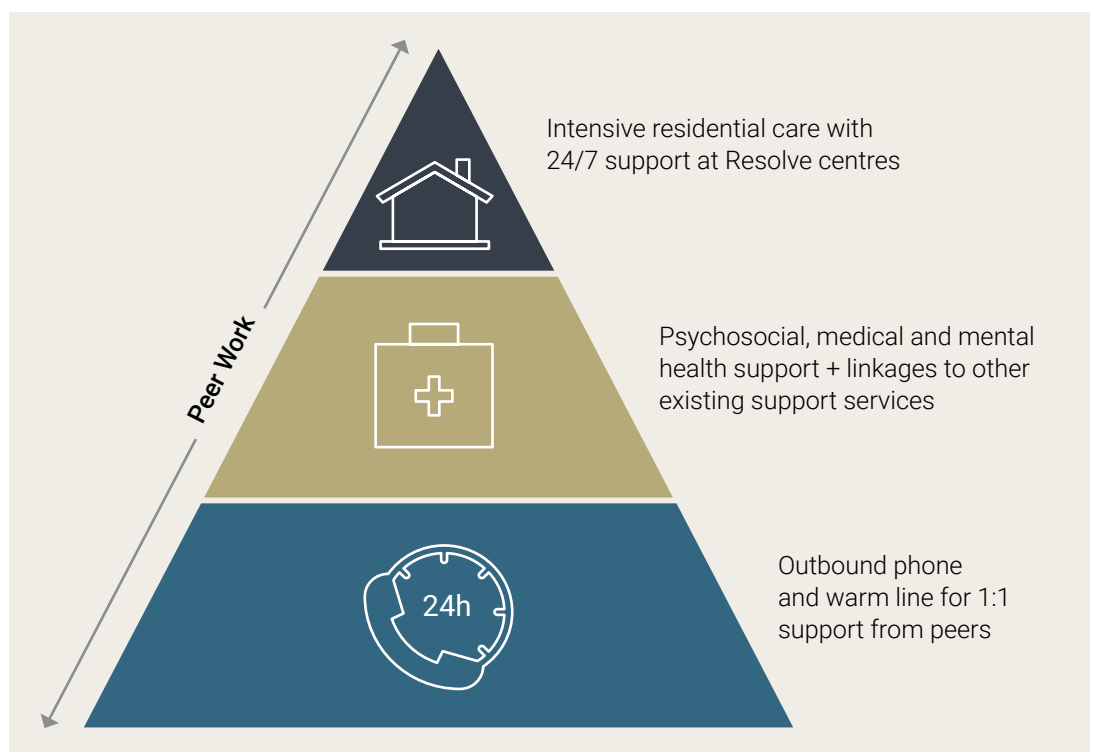
The Resolve Program is a recovery-orientated community support program that works with individuals who have spent between 40 and 270 days as a mental health inpatient over the year prior to their enrolment. It is anticipated that approximately 530 adults will be supported over a seven-year service delivery period. Each individual will participate for up to two years.

Program elements

Resolve provides flexible, integrated support in close collaboration with LHD clinical services. In its delivery of the Resolve Program, Flourish Australia employs peer workers in service delivery to provide hope and connection for participants by drawing on their lived experience to support others.

At the heart of the program are Resolve centres, which are residential homes designed to encourage participants to continue to lead a normal life, whilst acting as a central hub for activity and services.

Figure 1 Resolve Program elements



SBB overview

The Resolve SBB is underpinned by an outcomes-based contract between NSW Health and the Resolve SBB Trust under which payments will be made by NSW Health based on the savings generated by the program. These savings are determined by measuring the reduction in participants' utilisation of health services relative to that of a matched Control Group.

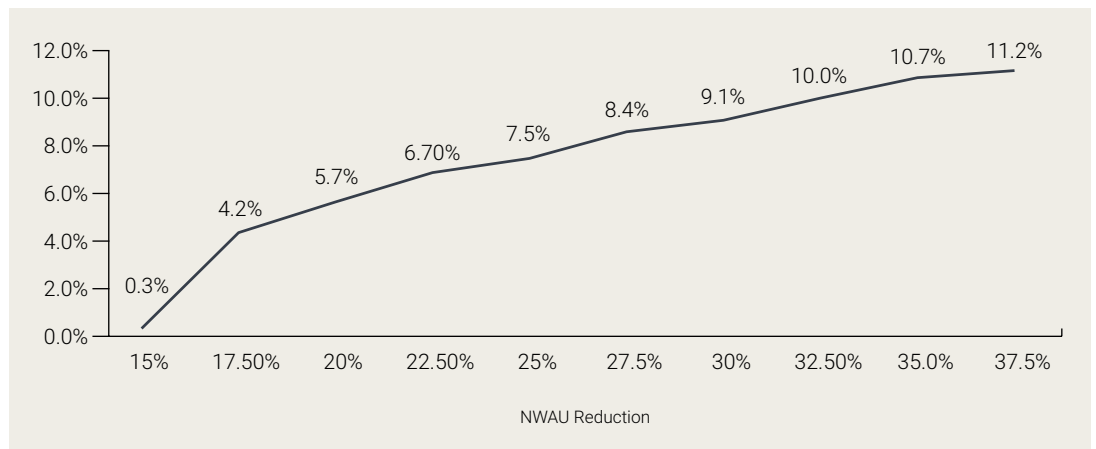
Specifically, outcome payments are made based on the reduction in the number of 'National Weighted Activity Units' (NWAUs), which is an activity measure reflecting both the duration and intensity of health service delivery. The level of these payments from NSW Health will in turn be reflected in the investment returns generated by the Resolve SBB.

Investor returns

Investors will receive a 2% per annum Fixed Coupon over the first 4.75 years of the bond, and Performance Coupons based on the balance of Trust Assets at the end of each of the final three years. Performance Coupons and Redemptions are directly linked to the performance of the Resolve Program. Other influences include the number of individuals enrolled in the program, the amount paid to Flourish Australia and earnings on cash balances in the Trust.

Under the assumptions set out in the [Resolve Social Benefit Bond Information Memorandum](#) dated 1 May 2017, investor returns vary with the level of program performance as illustrated in Figure 2.

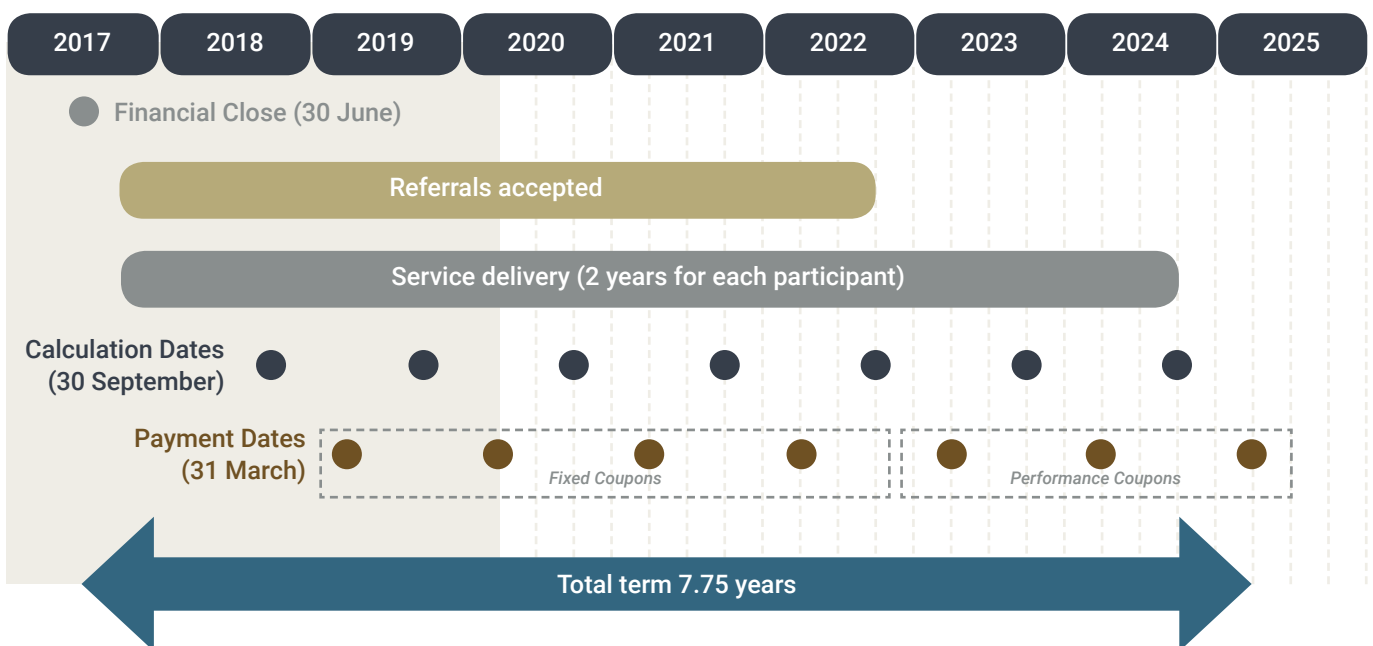
Figure 2 Internal Rate of Return under initial assumptions



NWAU Reduction below 15% leads to a review of the program and possible termination.

Timeline

Figure 3 Resolve SBB timeline



Program update

Enrolments and referrals

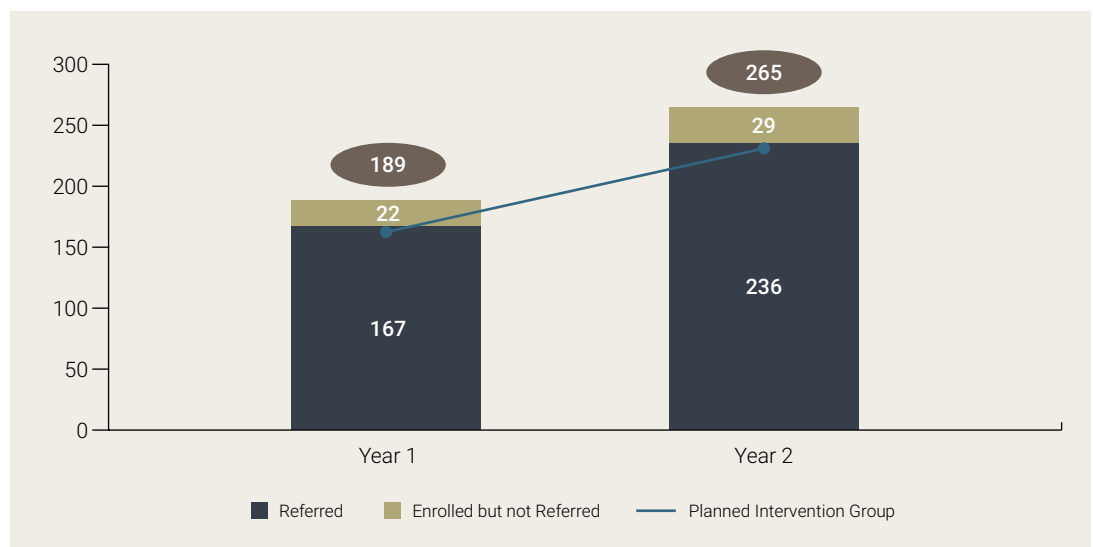
During the second year of service delivery, 76 people were enrolled into the Intervention Group, 14 more than planned. As at 30 September 2019, a total of **265 people had been enrolled**, 35 more than planned. Enrolments were split evenly across the Western NSW LHD and Nepean Blue Mountains LHD.

Of those enrolled, 236 people have been referred to the Resolve Program and 29 declined referral. Those who decline referral are still included in the Intervention Group and counted for measurement and payment purposes, using an 'intention-to-treat' measurement approach. The reasons for people declining referral are varied, with some people feeling well and not seeking support.

The proportion of individuals declining referral is 11%, which is higher than initially expected. Intervention Group enrolments are higher than planned to compensate for this factor and ensure the program is working with the expected number of participants.

It is anticipated that over five years a total of 560 individuals will be enrolled in the Intervention Group, with 500 referred to the Resolve Program.

Figure 4 Resolve Intervention Group



Eligible individuals are prioritised according to their hospitalisation history, with those having the highest number of admissions, and then the highest number of days in hospital, being enrolled first. This means that as the eligible pool of participants becomes smaller, eligible people will on average have spent less time in hospital and may have been discharged from hospital some months prior to referral. It is expected that this makes people somewhat less likely to accept referral.

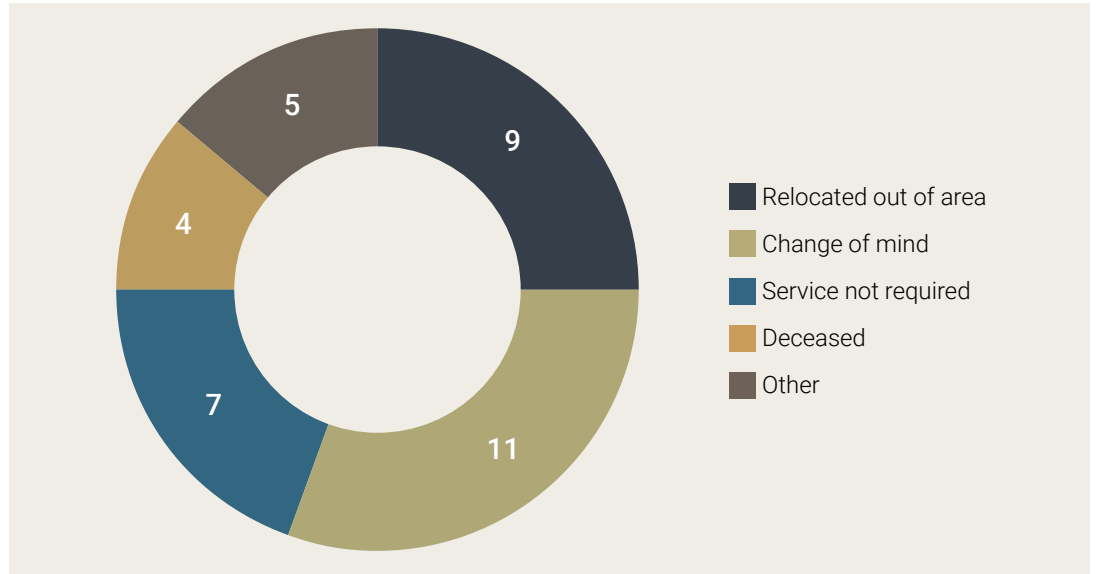
Exits and disengagements

At 30 September 2019 no Resolve participants had reached the end of their two-year support period.

Over the first two years, a total of 36 participants who had been referred to the program (15%) subsequently disengaged for a number of reasons, as illustrated in Figure 5. Sadly, four participants have passed away while on the program.

A number of individuals who had become inactive re-engaged with the program; Resolve staff endeavour to keep contact with inactive individuals to make sure they know that support is available should they require it.

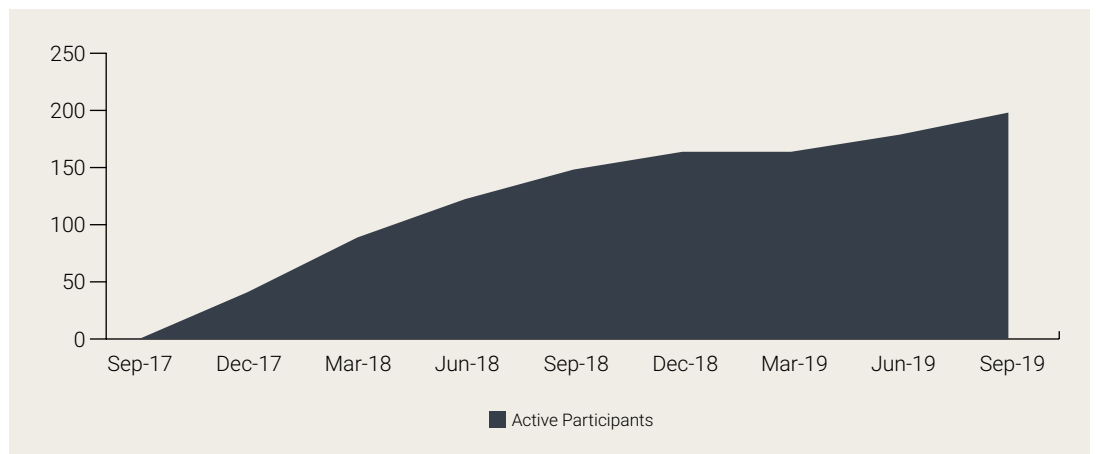
Figure 5 Total Resolve Program disengagements



Active participants

The number of individuals actively participating in the program is equal to those referred less those who have disengaged or who have exited at the end of two years. At the end of Year 2 the total number of active participants was 200, or 75% of the Intervention Group. It is anticipated that the size of the active group has peaked and will decline slightly over Year 3, having grown steadily over the first two years. This is because the number of referrals each quarter will remain relatively constant, whilst participants will exit from the program as they reach the end of their two years in the Resolve Program.

Figure 6 Number of active participants by quarter





Benjamin Wilshire,
Orange Peer Worker.

Interview with Benjamin – Resolve peer worker

A core feature of the Resolve model is the employment of peer workers with a lived experience of a mental health issue. Peer workers purposefully draw upon their own personal experience to engage, support and be a role model for participants.

How long have you been in the Resolve team? What were you doing before Resolve?

I've been in the Resolve team since the program commenced in October 2017. I was working as a Disability Support worker before I started at Resolve.

How does Resolve compare to other mental health programs or previous jobs you've had?

I feel the Resolve Program is able to meet people where they are at on their recovery journey. The program is able to be closely tailored to people's needs due to its person-centred and adaptable design.

Has the program and the way it works with participants evolved since it commenced?

In every workplace there is always room for improvement. Especially with a new program, things are going to go differently in the day to day running of the program than was set out in the original guidelines. Our team makes a point of regularly reflecting on how the program is going and making tweaks based on that.

What do you find unique about the peer support element of the program?

I feel the work we do is reciprocal, and we try and level the playing field as much as possible with the people we work with. The way we walk beside someone is a privilege and we both learn as the journey unfolds.

What do you find most challenging about the role?

It can be quite full on at times and it is really important to ensure we are looking after ourselves and maintaining a good work/life balance.

What do you love about your job?

We are a close-knit team and we feel connected and valued working towards the same goal. I also love the variety of our work – no two days are the same.

Participant engagement

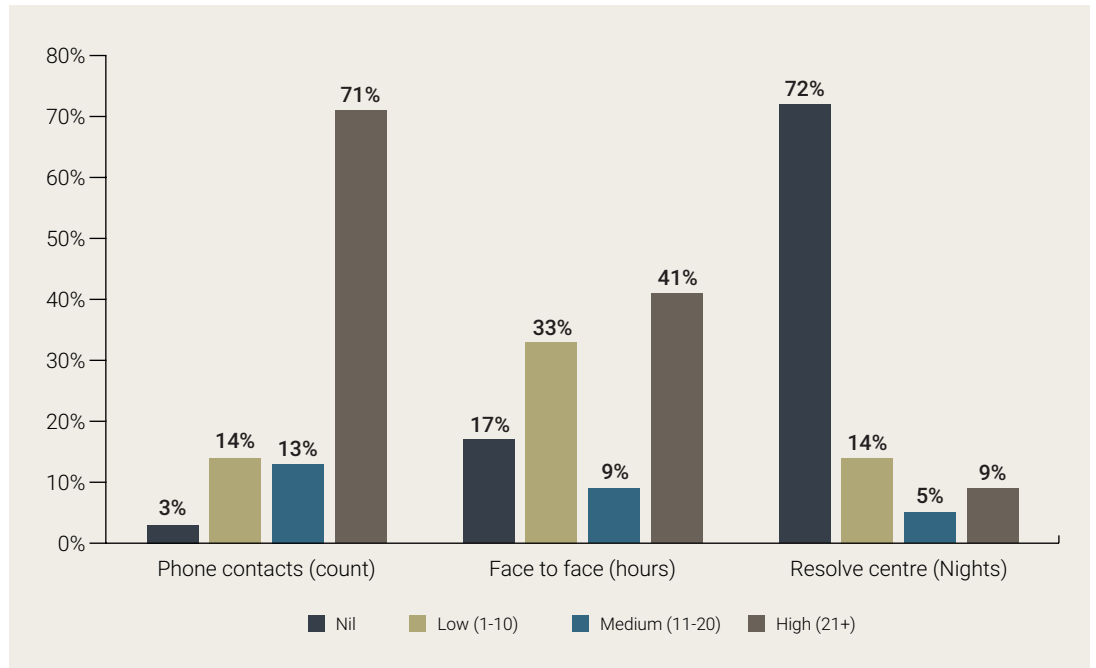
Of the 236 people who were referred to the Resolve Program, 230 have actively engaged in the program at some point.¹ 80% of participants have participated actively in the program for more than 70% of the time they have been enrolled.²

The chart below illustrates the distribution of all referred participants by their level of engagement with the various elements of the Resolve Program up to the end of September 2019. At that point, 28% of referred participants had spent one or more nights in a Resolve centre and 83% of participants had received face-to-face support.

1. Active participation is defined as receiving phone or face-to-face support or staying at a Resolve centre.

2. Activity data is recorded monthly.

Figure 7 Participant engagement with Resolve Program activities



Participants continue to engage well with the structured activities that the Resolve Program offers and have enjoyed activities including walks, games afternoons, cooking groups and art classes.

Both centres held Christmas lunches in December which were well attended by staff and participants; this provided a great way for people on the program to be involved and connected to others in the community during the festive season. Some participants also used skills learned during their cooking classes to help in the preparation of Christmas lunch.



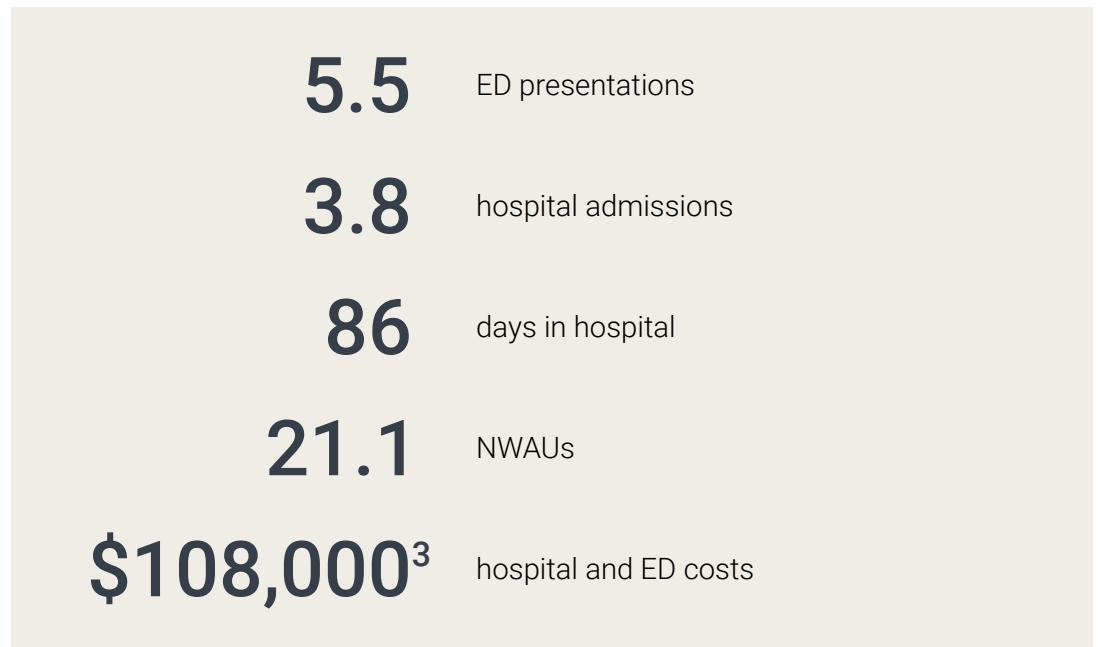
Staff and participants exercising during a wellbeing group, highlighting the mental and physical benefits of exercise.



Resolve Program participant attending a farewell morning tea

Profile of Resolve participants

On average, over the year prior to their enrolment, Intervention Group members were significant users of health services. On average, they incurred:



The Intervention Group comprises a broadly equal number of men and women (52% female), while Aboriginal and Torres Strait Islander participants make up 16% of the cohort.

36% of the group had an issue with alcohol, amphetamines, or cannabis use in the year prior to enrolment, and the vast majority have one or more co-morbidity.

3. Based on the National Efficient Price for 2019-20 of \$5,134 per National Weighted Activity Unit (determined by the Independent Hospital Pricing Authority).

Delilah's⁴ story

Delilah joined the Resolve Program in February 2018. Delilah has cerebral palsy and a history of childhood trauma perpetrated by her biological father. She has experienced a complex and dysfunctional relationship with her biological mother and sister and has experienced the trauma of witnessing the death of several friends during her teen and young adult years. She also has experienced a sexually abusive relationship with her stepfather in her mid- twenties and domestic violence in her own relationships.

Delilah has experienced suicidal ideation, eating disorders, pseudo seizures, visual and auditory hallucinations, panic attacks and had trouble regulating her emotions. She has also been diagnosed with complex post-traumatic stress disorder.

When Delilah was referred to the program, she mistrusted other services and rarely engaged with support providers. Delilah had lost her job, drank heavily to self- medicate through her unwanted symptoms and was often unable to leave her home. Upon commencing in the Resolve Program, peer workers were able to build rapport and connection with Delilah and she began to trust the service and soon participated fully in groups, individual supports and residential stays, and utilised the warm line regularly.

Delilah has been supported by peer workers to build her self-esteem and set healthier boundaries in family, social and intimate relationships. She has learned techniques to reduce stress and manage unwanted symptoms. With the support she received from the program, Delilah regained a sense of confidence and autonomy in her life. She reconnected with her passion for sport and will attend the Paralympics for basketball this year. Delilah commenced studies in community services and has gained employment as a disability support worker, swiftly becoming a team leader due to her reliability, leadership skills and work ethic.

Delilah has now bought a new car, is renovating her home, participates in the community socially and experiences enjoyment and support from healthier relationships with her family, friends and new partner. Delilah has been able to reframe her experiences and now utilises them to support other people in her work and service to the community.



Staff and participants exercising during a wellbeing group, highlighting the mental and physical benefits of exercise.

4. Actual names of Resolve participants have been changed to respect their privacy.

Preparing for transition out

Participants remain in the Resolve Program for two years, and some early enrolments have reached their two-year anniversary over the months since the end of Year 2. In 2019 Flourish created two contract Transition Worker roles to document and implement policies to ensure the smooth onboarding and graduation of participants. The team has since been implementing those practices.

The activities conducted during the participant onboarding process include:

- Providing a consistent contact during transition onto the program to reduce the anxiety associated with meeting lots of new and different people;
- Coordination with participants and their clinicians to explain the program and develop individualised recovery plans; and
- Liaising with LHD representatives to ensure the referral process is smooth and timely.

In preparing participants for transition out, the team uses a positive, strengths-based approach where participant anniversaries are celebrated. The role of the team in transitioning out participants includes:

- Development of targeted and individualised transition out plans;
- Coordinating exit meetings to discuss current and future formal and informal supports;
- Referring participants to other services and support networks where appropriate;
- Assisting participants to identify strengths and achievements gained during the Resolve Program and discussing how to apply these as they continue their recovery; and
- Organising morning teas to celebrate achievements and congratulate participants who have completed the program.



Resolve staff member and participant attending a farewell morning tea to acknowledge people's progress and time on the program.



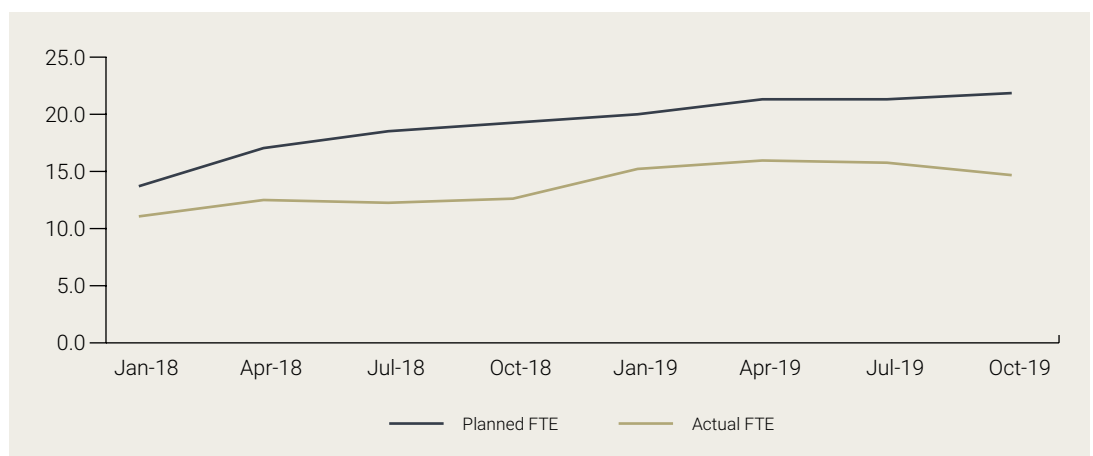
Resolve staff and managers break for lunch during a team building day.

Resolve staff levels

The Resolve Program staff levels have on average been around five full-time equivalent (FTE) roles below planned levels since services commenced in October 2018. Flourish Australia, like many organisations working in the mental health sector, has had difficulty in recruiting skilled and qualified staff, with a sector wide shortage in case workers, including peer workers, as a result of the roll out of the NDIS and competition from competing government and non-government services.

To address the ongoing staffing shortfall, Flourish Australia have, where possible, utilised casual staff from other sites and programs to fill positions, and have committed to ongoing recruitment campaigns until all positions are filled. Flourish Australia has had some recent success in recruiting three additional peer workers which will take the staffing level closer to plan.

Figure 8 Resolve Program staff FTE



The staffing shortfall has resulted in larger caseloads per Resolve peer worker. Peer workers have been able to maintain minimum expected contact levels, but if the Resolve Program was staffed as planned, peer workers would have more time to provide individualised supports. Group activities have provided an efficient way to address common themes.

Outcomes

The outcome data set out in this section is drawn from the technical report prepared by the biostatistician, The George Institute, and BDO's independent certification report for the 30 September 2019 Calculation Date.

Measurement Years

Outcomes for each individual have been measured over the period from their Enrolment Date to the second Calculation Date on 30 September 2019.

The table below compares the targeted and actual Intervention Group size and the aggregate 'Measurement Years' recorded.

Table 1 Measurement Years

| | Target | Actual | Variance |
|--|-----------|------------------|----------|
| Intervention Group size at Calculation Date | 230 | 265 | +15% |
| Average years on the program per person | 1.34 | 1.27 | -5% |
| Aggregate Measurement Years | 308 years | 337 years | +9% |

Overall, the total number of Measurement Years is slightly above plan, reflecting higher enrolments to compensate for a lower than expected proportion of enrolments agreeing to be referred to the Resolve Program.

Over the course of the SBB it is anticipated that there will be 1,120 Measurement Years, two for each of the projected 560 individuals who enrol in the Intervention Group. Accordingly, **30% of total outcomes have been measured** at this point.

National Weighted Activity Unit (NWAU) reduction

The outcome measure used to determine the performance of the Resolve Program is the number of NWAUs recorded by the Intervention Group during each individual's Measurement Period compared to the number of NWAUs recorded by a matched Control Group. This outcome measure is used to determine outcomes payments from NSW Health.

The Resolve Control Group was constructed by The George Institute using 'propensity score matching' methodology. Each Intervention Group member is matched to a control using a range of factors including prior year service utilisation, socio-demographic characteristics and comorbidities. The recorded NWAUs have also been adjusted to allow for residual differences in characteristics between the two groups.

At the second Calculation Date the **Cumulative NWAU Reduction is 4%**, which is well below the planned level of 25%. Under the terms of the Implementation Agreement between NSW Health and the Resolve SBB Trust, the parties will now enter into discussions to understand the reasons for the underperformance and determine whether any amendments or variations to the Agreement are required. If no changes can be identified or agreed that would address the underperformance, then either party may terminate the Agreement. It is anticipated that the review and negotiation process will be concluded by 31 May 2020.

As part of the review, the Joint Working Group will seek to understand whether access to other similar or more intensive government funded programs are 'confounding' the measured Resolve outcomes. The mental health service landscape includes a number of existing programs, some with support intensity greater than that provided by the Resolve Program. The degree to which members of the Control Group and Intervention Group are being supported by other Government funded mental health programs may therefore be impacting the performance of Resolve based on the Cumulative NWAU Reduction outcome measure.

Change in service utilisation

While the reduction in NWAUs relative to the Control Group is the measure used to determine outcomes payments, the Intervention Group's change in the consumption of health services relative to the year prior to enrolment into the Resolve Program is also being measured.

Table 2 Change in Intervention Group service usage relative to year prior to Enrolment

| | Prior year average per person | Measured average per person (annualised) | Reduction |
|------------------------------------|-------------------------------|--|-----------|
| NWAUs | 21.1 | 7.0 | 67% |
| Hospital bed days | 86.2 | 27.2 | 68% |
| Hospital admissions | 3.8 | 1.9 | 50% |
| Emergency department visits | 5.5 | 3.1 | 43% |

These results demonstrate that Resolve participants have experienced a material reduction in health service utilisation while being enrolled in the program. While analysis of historical data during the development of the Resolve SBB indicated that the target population experienced a reduction in health services over time, the reductions recorded by the Intervention Group are larger than those observed in the historical data.

However, Control Group members recorded similar reductions in service usage in the outcome period relative to the year prior to their enrolment. As described above, the upcoming review will seek to understand the potential impact of Control Group and Intervention Group members' access to other Government funded services on health service usage.



Staff and participants practicing Tai Chi for relaxation and light exercise.

Broader program evaluation

The independent evaluator, Urbis, has completed its Baseline Evaluation Report for the Resolve SBB, which can be found [here](#). Summary findings and recommendations of the Baseline Report are highlighted below.

Baseline Evaluation Report

Findings

- 1. The program has been successfully implemented**, enabled by detailed preparation during the Joint Development Phase and services preparation phase.
- 2. The target cohort is being reached** and is appropriately focussed on people who live with severe and persistent mental illness.
- 3. Early client outcomes are evident** with clients reporting reduced hospitalisations and increased social connections as a result of taking part in the program.
- 4. Program integration with the mental health sector has commenced** and clients are now able to access both psycho-social and clinical support through the program.
- 5. Early signs of the appropriateness of the peer-led model** with staff and clients reporting the program offers a highly accepting and safe environment, and that the peer workers play a critical role in building a strong rapport between the program and clients.
- 6. Outcomes are being enabled by a range of factors**, including the existing organisational infrastructure of Flourish Australia, the program's successful referral pathway, the sites' residential settings, and the appropriate ways in which program staff are delivering the program.
- 7. Some challenges are also evident** including complexities in navigating the data collection and analysis required to measure program outcomes, limits to program flexibility and staff development activities due to current team size, and difficulties in educating the sector about the program.

Recommendations

- 1. Capture and share early learnings for future Social Impact Bonds** to support ongoing development of SIBs for program partners and other stakeholders.
- 2. Develop and embed best practice approach to delivering the Resolve model** which optimises program outcomes by intentionally applying model elements to specific presenting issues and recovery goals.
- 3. Embed Resolve in the service landscape** to improve client access to necessary support, and to mitigate risks posed by the time limited nature of the program.
- 4. Develop and support the Resolve workforce** to ensure all staff are equipped to deliver the model as it was designed and are supported to succeed in delivering the 'best practice' approach.
- 5. Prepare for future scale** by documenting the best practice model and supporting resources, and by implementing continuous quality improvement and monitoring activities.

Over the course of the Resolve SBB, it is planned that Urbis will also undertake an interim and final report covering service model efficacy, participant outcomes, and the appropriateness of the payment metric as an indicator of broader benefits.

The findings of the evaluation will support the program partners to identify and incorporate key learnings throughout the program's delivery and help make informed decisions about the program's future, including its potential to scale, as well as the development of additional social impact investments in the future. The Joint Working Group has developed a Baseline Evaluation Report Implementation Plan to ensure the recommendations are adopted by the program partners.

Financial report

Coupon payment

The second Fixed Coupon Payment will be paid to investors on or around 31 March 2020. The Fixed Coupon rate is 2% per annum.

$$\text{Second Fixed Coupon Payment} = \text{Note Value} \times 2.00\%$$

Note Value is the number of Notes multiplied by \$100 (the note issue price).

Program Savings and Outcome Payments

The Outcome Payment to be made by NSW Health to the Resolve SBB Trust following each Calculation Date is determined as:

- 100% of the first tier of cumulative Program Savings, plus
- 25% of the second tier of cumulative Program Savings, plus
- 15% of the third tier of cumulative Program Savings, less
- all previous payments including the Standing Charge.

At the second Calculation Date:

- The **cumulative Program Savings were \$2.5 million**, 70% below plan;
- The first tier⁵ threshold was \$6.3 million; and
- Standing Charge payments totalled \$9 million.

Accordingly, no Outcome Payment will be made by NSW Health this year. No Outcome Payments were expected to occur under the target performance scenario until March 2021.



Resolve staff and managers group photo in Lithgow after a team building day.

5. The tiers that determine the proportion of savings that are paid increase linearly over the course of the SBB.

Trust Assets and Cashflow

Performance coupons in 2023-2025 and redemption payments are linked to the value of assets in the Trust. From its commencement in July 2017 to 30 September 2019, cashflows to and from the Resolve SBB Trust (excluding GST) were as follows:

Table 3 Resolve SBB Trust cashflows to 30 September 2019

| \$m | Target | Actual | Variance |
|----------------------------------|--------------|--------------|---------------|
| Note subscription amounts | 7.0 | 7.0 | - |
| Government Payments ⁶ | 9.0 | 9.0 | - |
| Interest on cash ⁷ | 0.47 | 0.26 | (0.20) |
| Total Inflows | 16.47 | 16.26 | (0.20) |
| Payments to Flourish Australia | 4.92 | 4.22 | 0.70 |
| Management and Other Costs | 0.56 | 0.57 | (0.01) |
| Coupons | 0.18 | 0.18 | - |
| Total Outflows | 5.65 | 4.97 | 0.68 |
| Balance of Trust Assets | 10.81 | 11.29 | 0.48 |

Payments to Flourish Australia were lower than planned due to the ongoing staffing shortfalls. The underspend equates to 14% of planned payments to date.

Interest on cash is lower than originally expected, reflecting the decline in interest rates since the launch of the Resolve SBB.

Early termination

If the Implementation Agreement were to be terminated as at 30 June 2020 for any reason:

- No termination payment would be received from NSW Health due to the low Cumulative NWAU Reduction;
- \$3 million of the Standing Charge payments would be repaid to NSW Health, being the remaining or unearned portion of those advance payments;
- Trust Assets will reflect cashflows over the period from 1 October 2019 to 30 June 2020, being payments to Flourish Australia, management and other costs, the 31 March coupon payment and interest earned on Trust Assets; and
- Some 'break costs' would be payable by the Trust in relation to the wind up of the program.

The exact amount of cashflows to 30 June 2020 is not known. Based upon cashflows to date and contractual obligations, it is estimated that the final balance of Trust assets would be approximately \$6.3 million, or **90% of investor capital**. The estimated Noteholder payment on early termination (combined with the fixed coupons paid to date) would equate to an internal rate of return of approximately -2.3% per annum.

6. Government payments to date are 'standing charge' or fixed amounts. No Outcome Payments were expected until after Calculation Date 3.

7. Does not include accrued interest on term deposits totalling \$0.05m.

Disclaimer and confidentiality

This document has been prepared by Social Ventures Australia (ACN 100 487 572), (SVA) as the Manager of the Resolve SBB Trust. Please refer to the Information Memorandum, SIB Deed Poll and Purchase Deed for the Resolve SBB dated 1 May 2017 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 Resolve 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 Resolve SBB Trust.

Photographs

Front cover: Staff and Resolve participants during cooking group, where everyone prepares, cooks and enjoys a meal together.

All photos sourced from Flourish Australia.

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