

Wesley Noffs
The Ted Noffs Foundation
PO Box 120
Randwick, NSW, 2031

Wednesday, 16 November 2011

The Hon. Barry O'Farrell, MP
NSW Department of Premier and Cabinet
GPO Box 5341
Sydney NSW 2001

Dear Mr. O'Farrell,

RE: SOCIAL BENEFIT BONDS PILOT REQUEST FOR PROPOSAL

I am writing on behalf of the Ted Noffs Foundation regarding the request for proposal released by the New South Wales (NSW) Treasury on 30 September 2011 for two social benefit bond pilots in the areas of out-of-home care and recidivism. We would like to urge the NSW Government to postpone the acceptance and processing of applications for this scheme for the reasons detailed in this letter.

1. Concerns over the probity of the process

We respectfully submit this petition partly on the grounds that a full and proper discussion between the NSW Government and non-government organisations (NGOs) from around Australia on the background, ambitions and process of social benefit bonds schemes has failed to take place. The Ted Noffs Foundation is of the belief that the NSW Government has not properly engaged with a variety of NGOs on these and other issues related to social benefit bonds. This has compromised the probity of the request for proposal process and threatens the otherwise promising future for social benefit bond schemes in NSW.

Other agencies we have consulted with regarding this request for proposal, including those we have approached as potential partners for our own proposal, were unaware of the existence of the pilot scheme. Much of the publicity around the social benefit bonds trial, including comments from Mr. Baird recorded in Hansard on 14 October 2011, makes reference to Mission Australia as a key player despite the requests for proposals not having closed. While the work of Mission Australia is not under question here, their high presence in publicity prior to the conclusion of the application process does raise concerns as to the fairness and transparency of the selection process. The absence of rigorous consultation with the wider NGO sector on the issue of social benefit bonds is central to this concern.

2. Lack of consultation with the NGO sector on the development of the pilot scheme

The Ted Noffs Foundation is not alone in seeing great promise for the future of social benefit bonds in NSW and Australia. Not only do social benefit bonds represent an innovative alternative to traditional funding mechanisms, they also offer NGOs the opportunity to generate significant social change.

Unfortunately, as it stands, the current request for proposal is unlikely to capitalise on the enthusiasm that the NGO sector has for social benefit bonds. The process of developing the pilot and the call for proposals has been inaccessible to the majority of Australian NGOs. Without a revised approach to inviting proposals, this request for proposals is likely to be an opportunity lost for the NSW Government, Australian NGOs, the groups targeted by this request for proposal and the community at large.

The Centre for Social Impact's (CSI) *Report on the NSW Government Social Impact Bond Pilot* warned of the pressures that social benefit bonds could place on smaller NGOs unable to compete with large NGOs with extensive investments in research and evaluation. The report detailed the need for the NSW Government to lead awareness raising and capacity building initiatives among NGOs of all sizes to inform them about social benefit bonds and equip them with the skills necessary to effectively engage with this new method of funding. Given that this document was prepared by CSI to inform the content of the *Social Benefit Bonds Request for Proposal*, it is disappointing to see that this very important recommendation has not been incorporated into the request for proposal.

3. Unclear ethical framework of the social benefit bonds

Partly on account of the inadequate consultation between NGOs and the NSW Government, the Ted Noffs Foundation also has concerns over the various ethical issues that the social benefit bonds present. Firstly, there is the dilemma of not being able to offer the intervention to as many people as possible in order to maintain a stable non-treatment group for statistical purposes. CSI identified this as a concern on page 43 of its *Report on the NSW Government Social Impact Bond Pilot*, which described the importance of the issue in no uncertain terms:

In addition to...technical difficulties surrounding the implementation of [random control trials (RCTs)], there are often ethical concerns with RCTs in the social policy field. These concerns relate to the fact that the program or intervention in question will generally be presumed to be superior to the counterfactual, which is, after all, why the program has been implemented. This creates an obvious ethical problem for researchers and service providers alike.

This was flagged as a possible impediment to outcomes measurement in the *Social Benefit Bonds Pilot Request for Proposal*. However, given that it is of such fundamental importance to the design, administration and success of the pilot schemes, not to mention the outcomes of the young people and adults participating in the trials, this particular ethical issue would have benefited from more extensive interrogation and a greater dialogue between NGOs and the NSW Government.

Secondly, the Ted Noffs Foundation has concerns regarding the possibility for unethical evaluation of those NGOs not involved in the social benefit bonds pilots. In measuring the outcomes of participants in the pilot programs, evaluations will also be made of participants in non-pilot programs, who will be considered part of the randomised control trial group. While this data may not identify individual NGOs, the Ted Noffs Foundation is concerned that it will harm the reputation of the NGO sector in general by subjecting organisations to evaluations whose methodological, economic and financial principles they may not share.

The Ted Noffs Foundation is of the belief that thorough consultations between NGOs and the NSW Government would have assisted in clarifying these ethical concerns and may even have helped overcome them.

4. The legitimacy of a pilot on recidivism

The Ted Noffs Foundation has more than 40 years of experience providing support for young people affected by issues such as substance use, mental health problems and criminality. Over the years, it has become quite clear to us that repeating harmful behaviour, whether it be offending or substance use, is often a natural process that individuals experience as they exit a behavioural pattern. Offering a social benefit bond pilot in this area contributes to the impression that recidivism is a purely negative phenomenon without any therapeutic value.

In addition to this, page 44 of the CSI report clearly notes that an outcome measure focusing on a reduction in the total number of cautions, conferences and proven court appearances would result in more costs savings, rather than a reduction in the number of repeat offenders. The financial pressure that a focus on reducing recidivism would put on NGOs, the Police and the justice system needs to be carefully considered before embarking on this pilot. Central to this is the definition of recidivism and an acknowledgement of its causes at the individual and structural level.

The degree to which an economic model can be applied to recidivism reduction programs must be brought into question and openly discussed as a matter of urgency. The incidence of recidivism depends on many factors such as legislation and police discretion, which are generally beyond the control of NGOs. The difficulties associated with quantifying recidivism will invariably flow on to impact the calculation of outcomes for individuals, communities and programs. Page 45 of the CSI report recognises this in reference to appropriately defining program cohorts and referral mechanisms. The report calls for these issues and problems to be thoroughly investigated so they do not negatively impact the NSW social benefit bonds pilot. Unfortunately, this investigation has not taken place in a public forum and has not received the attention it deserves given its potential to prejudice the outcomes of the social benefit bond pilot. There are a multitude of players from the NGO, academic and justice sectors that could make important contributions to this discourse. This would considerably strengthen the starting point for the social benefit bonds pilot and could help ensure its success.

While the rhetoric of recidivism may have political sway, the reality of recidivism plays out in the lives of individuals and their communities in a far more intricate way. It is regretful that the NSW Government was not able to factor this into its decision about the areas of concern for the social benefit bonds pilots.

On these grounds, the Ted Noffs Foundation asks that the *Social Benefit Bonds Pilot Request for Proposal* be postponed until an appropriate level of consultation and engagement between the NSW Government and the NGO sector has been reached.

A meaningful consultation period will improve the capacity of Australian NGOs of all sizes to engage with this new funding method. It will help clarify ongoing ethical concerns and will immensely improve the probity of the request for proposals. We suggest that these take the form of a series of workshops and

forums at which NGOs can actively contribute to the design and development of a social benefit bond scheme for NSW. Further extending this to the wider community to get feedback from academics, peak bodies and NSW Government departments would only be advantageous to the development of the social benefit bonds scheme and to the individuals and communities they are intended to support.

Yours Sincerely,



Wesley Noffs
Chief Executive Officer
The Ted Noffs Foundation

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Social Benefit Bonds Request for Proposal on NSW Treasury website:

http://www.treasury.nsw.gov.au/site_plan/social_benefit_bonds

Hansard report from 14 October 2011:

http://www.parliament.nsw.gov.au/prod/parlment/hanstrans.nsf/V3ByKey/LA20111014?Open&refNavID=HA8_1

Centre for Social Impact report on Social Impact Bonds:

http://www.csi.edu.au/project/Social_Impact_Bonds_for_NSW.aspx