About Social Ventures Australia

Social Ventures Australia (SVA) partners with government, social sector and financial communities to improve social outcomes. SVA Consulting works with partner organisations to define, measure and communicate their outcomes with the objective of continuously improving and scaling evidence-based interventions. SVA Impact Investing develops innovative investment models that deliver both financial and social returns.

Our non-profit status means we deliver independent, evidence based advice that aims to help create pathways out of disadvantage so that all Australians can find a pathway towards a fulfilling life of their choice.

Introduction

SVA would like to thank the Economic Regulation Authority (ERA) for the opportunity to make a submission. SVA is deeply committed to fostering an outcomes-focussed, data-driven services sector. We acknowledge and appreciate the wider scope of the Prisons Inquiry, however, we would like to focus our submission on the rehabilitation objective of prisons and the development of an appropriate performance framework to measure this. We believe there is merit in assessing and creating programs for those at risk of entering the justice system and supporting people on release from prison, however, these are in theory outside the prison system and so we have focussed solely on rehabilitation for the purposes of this paper.

Our response covers:

1) The definition of appropriate outcome metrics to measure reoffending;
2) The importance of data systems and building an evidence base on what works to reduce recidivism; and
3) The role of preventative services within the proposed service standards.

The definition of appropriate outcome metrics

The outcome(s) selected to monitor and incentivise prison operators will influence the behaviours and priorities of prison staff. It is essential that outcome metrics are carefully considered to ensure that appropriate services are provided, particularly given the prison population is both a vulnerable population in itself, and also potentially creates vulnerability in communities.

Reoffending is a highly complex issue and tackling it requires addressing the various root causes of offending behaviour. As such, SVA considers the following points to be important in developing performance metrics for prisons:

1) Including a frequency metric of reoffending

As identified in the ERA Issues Paper, metrics should be selected in a way that avoids perverse incentives. SVA considers that certain binary metrics of reoffending (i.e. an individual did / did not reoffend over a certain time period) risk creating perverse incentives for two reasons:

i) Operators may prioritise resource towards prisoners who they consider are most likely to stop reoffending. This does not address the needs of more complex offenders or tackle the broader issue of crime in communities; and

ii) Operators may cease or minimise rehabilitation efforts for offenders who have already reoffended in the measurement period as there will be no financial incentive to work with them.

As such, we consider **inclusion of a frequency metric of offending** (i.e. how many times an individual reoffends over a certain time period) to be important in that it incentivises providers to work with more complex and prolific offenders to reduce their offending behaviour, and also ensures that prison providers are motivated to continue working with an offender throughout their journey to desistence.

In addition to advocating for the inclusion of a frequency metric (at a minimum alongside a simple metric of whether they re-offended), SVA considers a metric that captures reconviction events to be a more appropriate reflection of offending behaviour and impact on victims, than a "rate of return" metric which is influenced by sentencing decisions.

2) Monitor and incentivise prison operators to tackle the root causes of offending

A metric of reoffending is clearly central to measuring the performance of prisons, however, we believe that a **broader set of rehabilitation metrics** would improve prisons' impact on reoffending. This would include metrics to monitor progress toward addressing the well-established factors that contribute to offending, such as:

- Access to accommodation;
- Education, training and employment;
- Health – both physical and mental;
- Substance misuse; and
- Strong and supportive relationships.

To measure progress against these outcomes we consider that every prisoner should have a **formal needs assessment on entry to prison**. This would provide a baseline from which to measure progress, and ensure that appropriate services were made available to address the root causes of offending.

By monitoring and analysing the linkages between interim indicators (such as housing or employment) and reductions in reoffending, the justice system would develop an evidence base of which interventions work to reduce offending and be able to allocate resources more effectively. To the extent that interventions (e.g. housing) are outside the remit of the Department of

Corrections, having a strong evidence base that links the provision of service with reoffending outcomes provides a strong foundation on which to develop whole-of-government solutions to these complex problems.

Such data linkage would also foster a 'through-the-gates' approach to rehabilitation services, in which community service providers are able to work with offenders pre-release to ensure more continuity and stability on release from prison.

The importance of data systems and building an evidence base

The development of a holistic performance framework for the WA prison system presents an enormous opportunity to stimulate innovation in service delivery and accountability. However, in order to harness this opportunity and transform the broader correctives system, we consider that the *performance framework should be extended beyond the prison walls and map offender outcomes into the community* across a range of service providers.

By consistently defining a reoffending outcome (suggest a frequency metric) and interim indicators (e.g. housing and employment) across service providers (i.e. prisons, probation and community services), the Department of Corrective Services will be able to understand what is and isn't working to reduce reoffending. This data should not only be collected and analysed by the Department, but also shared with the range of service providers to foster a culture of continuous improvement and establish a strong evidence base for effective interventions.

We would like to highlight an outstanding example from the UK, where the Ministry of Justice has made reoffending data available to community organisations to enable them to understand the efficacy of their work. They have done so in an innovative way that overcomes data security concerns by providing de-identified data, and in a way that is far more efficient than having each community provider investing in research capabilities in-house or engaging an external evaluator. This data is not used as a measure for censure, but is provided as a means for organisations to improve their impact on reoffending.

UK Justice Data Lab

Charities working with offenders in the UK can make use of the Justice Data Lab to access central reoffending data. The Justice Data Lab is run by the UK Ministry of Justice and was developed with the support of New Philanthropy Capital.

As part of the UK Government's drive for open data, organisations are being encouraged to use the service so they can better understand the impact that their work has on reoffending rates. This initiative will help organisations working in the justice field, and enable them to prove their impact to commissioners and funders who are becoming increasingly outcomes focussed.

Since the launch of the Justice Data Lab as a pilot in April 2013, additional funding has been provided by the Ministry of Justice to continue the program and the initiative has won an award for Statistical Excellence in Official Statistics from the Royal Statistics Society "for improving the evidence base in a vital area of public policy."

The role of preventative services

By developing a strong evidence base of what interventions work (both in prisons and the community) to reduce reoffending, the Department of Corrective Services will be able to better allocate resources to reduce reoffending, and ideally ***identify and invest in preventative services*** that seek to address the root causes of offending before someone escalates into the prison system.

Although there is broad recognition of the social and financial benefits of investing in preventative services, we recognise that it is difficult for Government to divert money from acute/remedial services while there is still demand for those services.   As such, we ***consider that there may be a role for Social Impact Bonds*** (SIBs) in the financing of preventative services.

Social Impact Bonds (SIBs)

SIBs are a promising new approach that leverages private investment to support high-impact social programs. SIBs are designed to separate the payment for the delivery of services (funded upfront by private investors) with payment for the success of those interventions; where Government pays if, *and only if,* the desired outcomes are achieved. By doing so, SIBs enable Governments to trial innovative, preventative services and then pay for those services out of the savings generated.

Social Impact Bonds are a promising new approach that has been applied to a range of social issues around the world including: recidivism, children in out of home care, homelessness and unemployment. Criminal justice has been one of the focus areas for early SIB development due to the very high social and financial costs of the problem.

The world's first SIB in the UK targets a reduction in reoffending for short-sentence prisoners leaving Peterborough Prison. The Peterborough SIB has achieved positive results for the first cohort, a result which is underpinned by having effective 'through-the-gates' service provision and a comprehensive performance framework that monitors both reoffending (on a frequency of reconvictions metric) and interim outcomes such as offenders' housing, health and employment progress.

Peterborough Social Impact Bond: First results

The Peterborough SIB targets a reduction in reoffending for all male prisoners leaving Peterborough prison having served a sentence of less than 12 months. This population was targeted as short sentence prisoners in the UK currently receive no statutory support on release from prison and have a very high (~60%) reoffending rate. The Peterborough SIB was launched in September 2010 with results from the first group (cohort) being released on 7 August 2014.

Results for the first cohort of 1,000 prisoners demonstrated an 8.4% reduction in reconviction events relative to the comparable national baseline. Whilst this is a positive indication of the impact of the Peterborough SIB, the result does not meet the minimum payment threshold of a 10% reduction in reoffending. These results highlight the appeal of SIBs to Government, as a means to test innovative

models of service delivery and pay if, and only if, a significant improvement in outcomes is achieved.

Of note, the Peterborough SIB was initially a six year contract, however, in April 2014 was changed to being a four year contract. This change was due to the regional pilot overlapping with the new national 'Transforming Rehabilitation' reforms, under which short sentence offenders will now receive statutory probation support. This change highlights the positive impact SIBs (and other innovative pilots) can have on stimulating policy change to address gaps in service provision. However, of note to the ERA's consideration of performance benchmarks, this change also highlights the risk of using a contemporaneous, matched control group which is inevitably vulnerable to broader policy changes.

In September 2014 SVA completed a scoping study for the Department of Corrective Services on the applicability of the SIB model to reducing reoffending in Western Australia[1]. In assessing the suitability of a SIB to tackle reoffending in WA, SVA identified a number of opportunities and challenges, with one of the more significant challenges being the lack integrated data systems and evidence base for the effectiveness of interventions. In our report we emphasised the importance of developing appropriate data systems and outcome metrics to enable risk transfer through outcomes contracting, therefore we welcome the Inquiry's focus on these issues.

Conclusion

Again, we thank the ERA for the opportunity to make a submission to the Prisons Inquiry and consider that this represents a significant opportunity to stimulate innovation and accountability in the provision of rehabilitation services. However, to do so, we would like to see the following recommendations considered by the ERA:

1) Include a frequency metric of reoffending to avoid perverse incentives;
2) Monitor and incentivise prison operators to tackle the root causes of offending by developing a broader set of rehabilitation metrics;
3) Every prisoner should have a formal needs assessment on entry to prison;
4) The Performance Framework should be extended beyond the prison walls and map offender outcomes into the community across a range of service providers;
5) The collection and analysis of data should seek to identify effective preventative services, and build the economic argument for the investment in prevention; and
6) Consideration should be given to the role of Social Impact Bonds, or other financing mechanisms that support investment in preventative services with a view to measuring their effectiveness in reducing reoffending rates.

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[1] Report on the applicability of the Social Impact Bond model to reducing reoffending in WA.