

Resolve Social Benefit Bond

Annual Investor Report
Period ending 30 September 2018
Issued March 2019



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Foreword

Dear Investor,

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

Since the Resolve SBB commenced at the end of June 2017, Flourish Australia has recruited the Resolve team, established two Resolve centres in Orange and Cranebrook, and commenced supporting people experiencing mental health illness in the Western NSW and Nepean Blue Mountains Local Health Districts (LHDs).

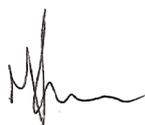
At the start of October 2018, the Resolve Program celebrated its first year of service delivery and early indicators suggest that the program is having a positive influence on the lives of the 167 people that participated in the program over that year. Participants are engaging well with the different program elements, including people staying overnight at the Resolve centres, receiving face-to-face support, and calling the warm line for phone-based support.

Preliminary outcomes data has now been extracted from NSW Health databases and independently certified by BDO. Given we are only one year into the program's course, the data covers a relatively small number of individuals and a short amount of time, and results need to be interpreted with caution.

We trust that this report will provide you with useful insights into the operation of the Resolve Program and the impact it is having for participants.

Thank you again for your support.

Kind regards,

A handwritten signature in black ink, appearing to read 'Michael Lynch', with a stylized, wavy tail.

Michael Lynch
Executive Director, Impact Investing
Social Ventures Australia

A handwritten signature in black ink, appearing to read 'Elyse Sainty', with a long, horizontal, sweeping tail.

Elyse Sainty
Director, 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 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

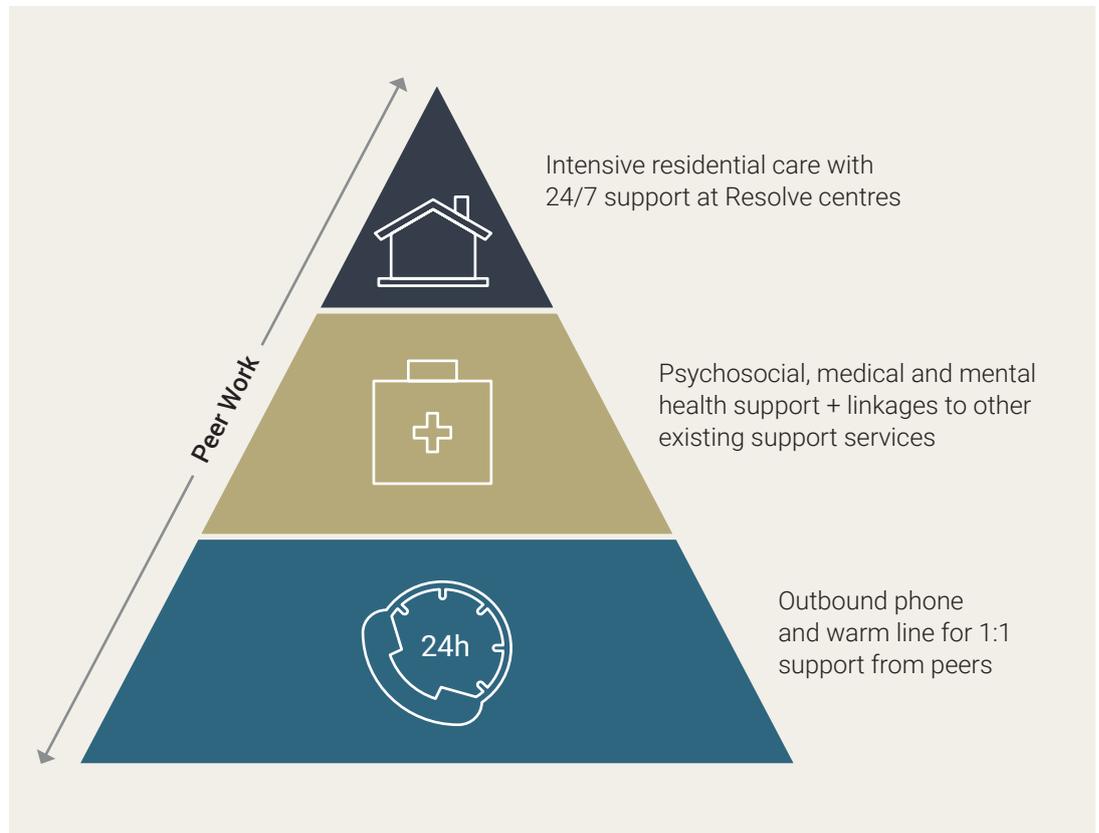
The Resolve Program is a recovery-orientated community support program that works with individuals who have spent between 40 and 270 days as a mental health inpatient over the year prior to their enrolment. It is anticipated that approximately 530 adults will be enrolled over a seven-year service delivery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

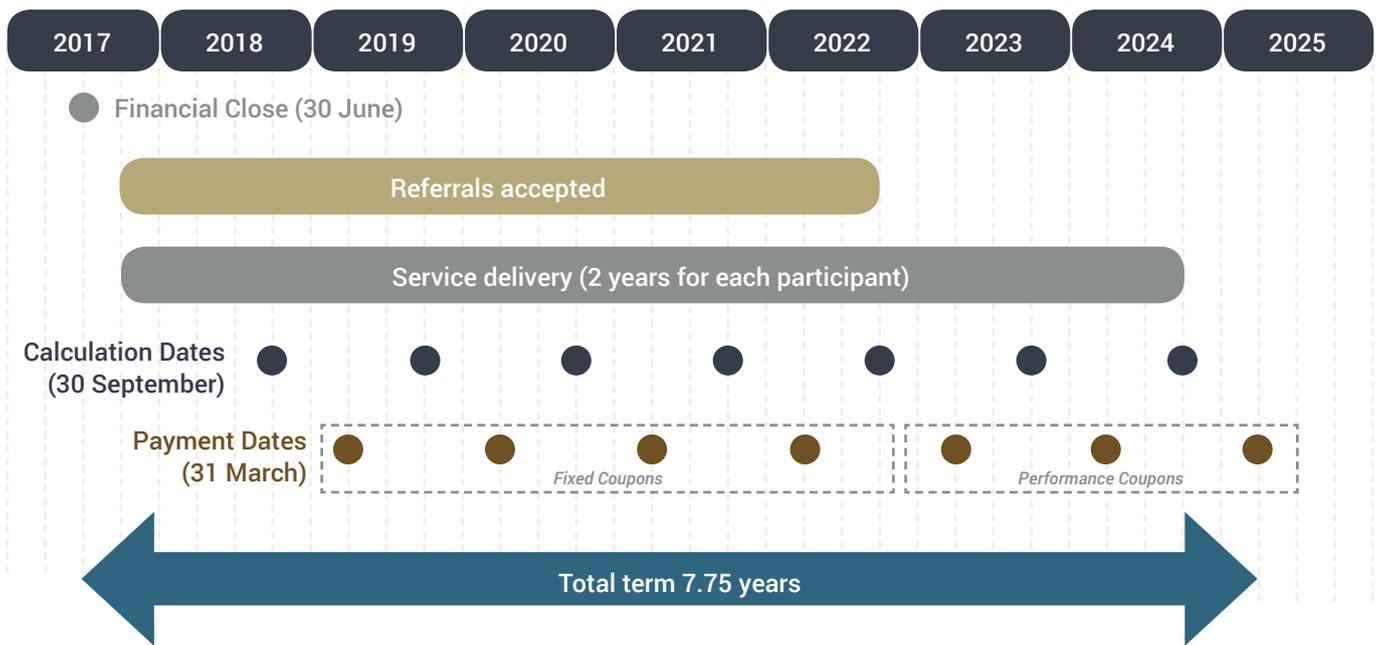
The Resolve SBB is underpinned by an outcomes-based contract between the NSW Ministry of Health and the Resolve SBB Trust under which payments will be made by NSW Health based on the savings generated by the program. These savings are determined by measuring the reduction in participants' utilisation 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. The Target performance scenario is a 25% reduction in NWAUs relative to the Control Group.¹

Investor returns

Investors will receive a 2% per annum Fixed Coupon over the first 4.75 years of the bond, and Performance Coupons linked to program performance at the end of the final three years. Performance Coupons and Redemptions are determined by the balance of Trust Assets and are thus directly linked to the performance of the Resolve Program. Under the Target performance scenario investors would receive an overall return of approximately 7.5% per annum.

Timeline

Figure 2 Resolve SBB timeline



1. See the [Resolve Information Memorandum](#) dated 1 May 2017 for details of the performance scenarios.

Program update

Program establishment

The Resolve Program formally commenced at the end of June 2017 and referrals started as planned at the beginning of October 2017.

Two Resolve centres were opened in Orange and Cranebrook. Each centre is a 5-bedroom house which has been furnished and equipped to provide a welcoming and supportive environment. Since the early months of service delivery, participants have increasingly utilised the Resolve centres for both group activities and residential stays. The Resolve team developed a multi-faceted activity schedule to provide participants with structure and purpose in their day, with the aim of reducing feelings of loneliness and isolation.



Flourish Australia appointed Christine Miniawy to be the Resolve Program Manager. Christine has a background in psychology and counselling and is passionate about supporting people to live with hope, move forward and improve their mental health

'Managing the Resolve Program has been an insightful and rewarding experience. I wholeheartedly believe that the Resolve Program is making a real difference in people's lives because of the unique flexibility the program offers, as well as the use of peer workers. The Resolve staff use their lived experience of a mental health issue to inspire, support and walk alongside people on the program, which often results in a human connection that encourages people to be resilient and show mutual respect and appreciation for one another.'

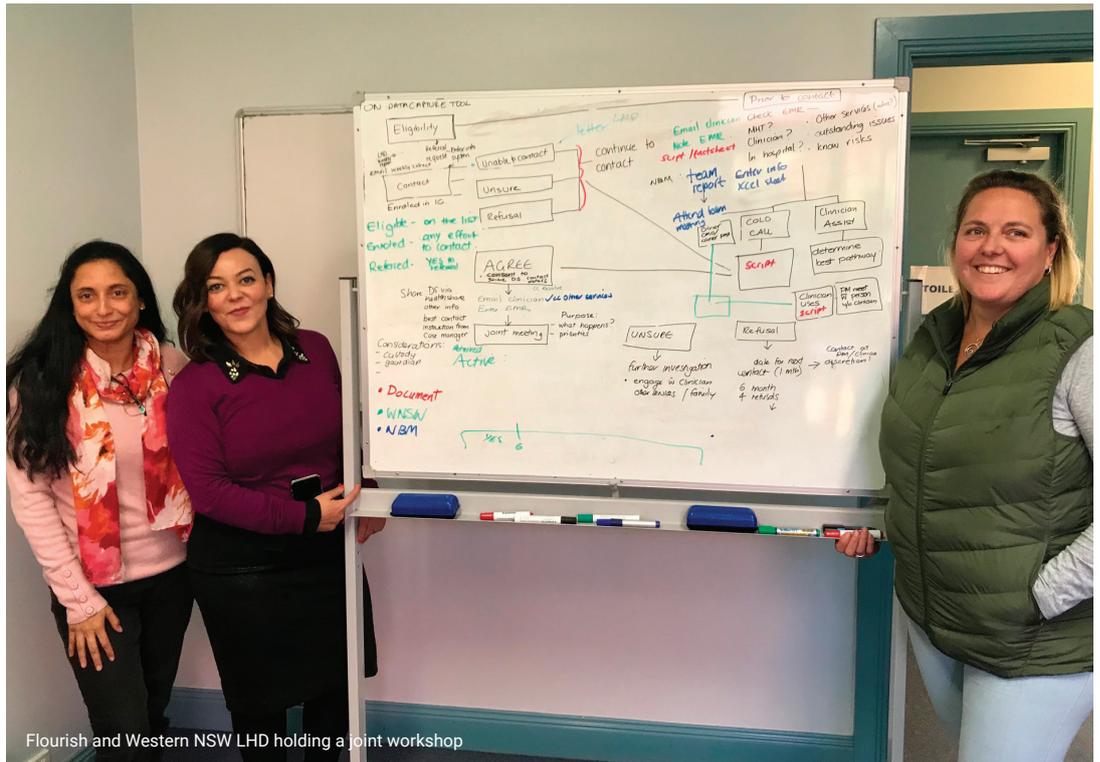
Christine Miniawy
Resolve Program Manager



Creating art after dinner at the Cranebrook centre



Playing chess at the Cranebrook centre



Flourish and Western NSW LHD holding a joint workshop

The Resolve team consists of the Program Manager, two Centre Managers and peer workers who identify as having a lived experience of mental health issues. Flourish Australia has faced some challenges in recruiting peer workers, in particular due to increased resource competition flowing from the roll-out of the National Disability Insurance Scheme (NDIS). At the end of October 2018 there were 10 FTE Resolve peer workers, seven fewer than initially planned.

LHD collaboration

Resolve staff and LHD clinicians have developed close working relationships and are supporting participants in an integrated, person-centred way. LHD staff are responsible for referring participants to the Resolve Program and for providing ongoing clinical support and governance. Joint visits ensure a collaborative approach to client management is established early, with clear role definition and open communication found to be key in supporting participants in a flexible way at the community level.

Participants with very complex backgrounds sometimes refuse to engage with clinical services due to past experience. Resolve peer workers working closely with clinical treating teams have re-opened pathways and helped these participants to re-engage with clinical services.

'The best part has been the willingness to work together, learn from our mistakes and use both positive and negative feedback to keep on improving the partnership and program delivery.'

'Clinicians have a very high regard for the program, becoming vocal supporters of a peer work approach and how it is helping people with very complex care and support needs to make progress with their mental health recovery journeys.'

'Communication and collaboration is key, in particular sharing good news stories about outcomes for participants to keep it real.'

Susan Bonar
Community Mental Health Partnerships and Integration Lead, Western NSW LHD

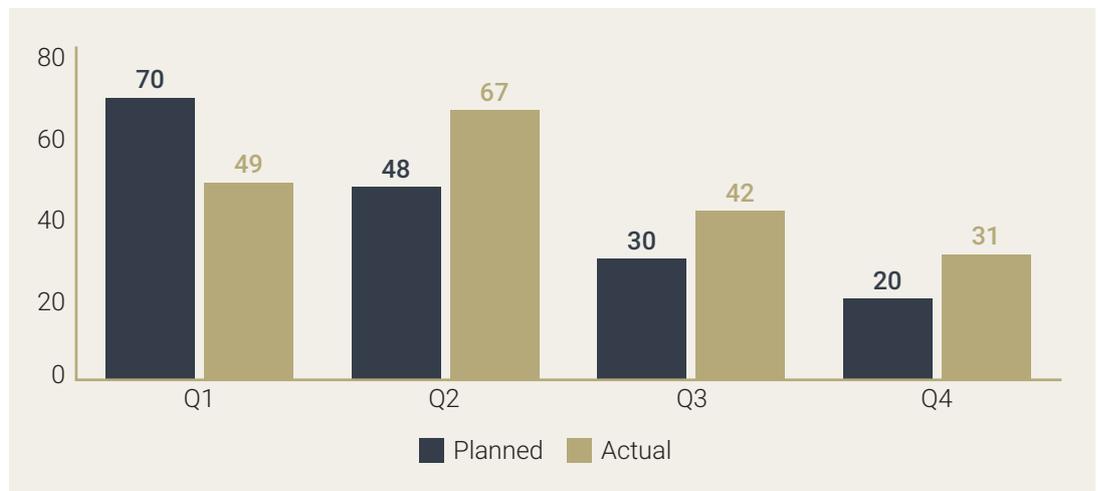
Enrolments and referrals

During the first year of service delivery, 189 people were enrolled in the Intervention Group, 21 more than planned. Enrolments were split evenly across the regions (51% at Western NSW LHD and 49% at Nepean Blue Mountains LHD).

Of those enrolled, 167 people were referred to the Resolve Program and 22 (12%) declined referral. Those who decline referral are still 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.

As illustrated below, enrolments were lower than planned in Quarter 1 as processes were established, however enrolment numbers were maintained above-plan for the remainder of the year to compensate for this and for those declining referral.

Figure 3 Planned and Actual Enrolments by Quarter

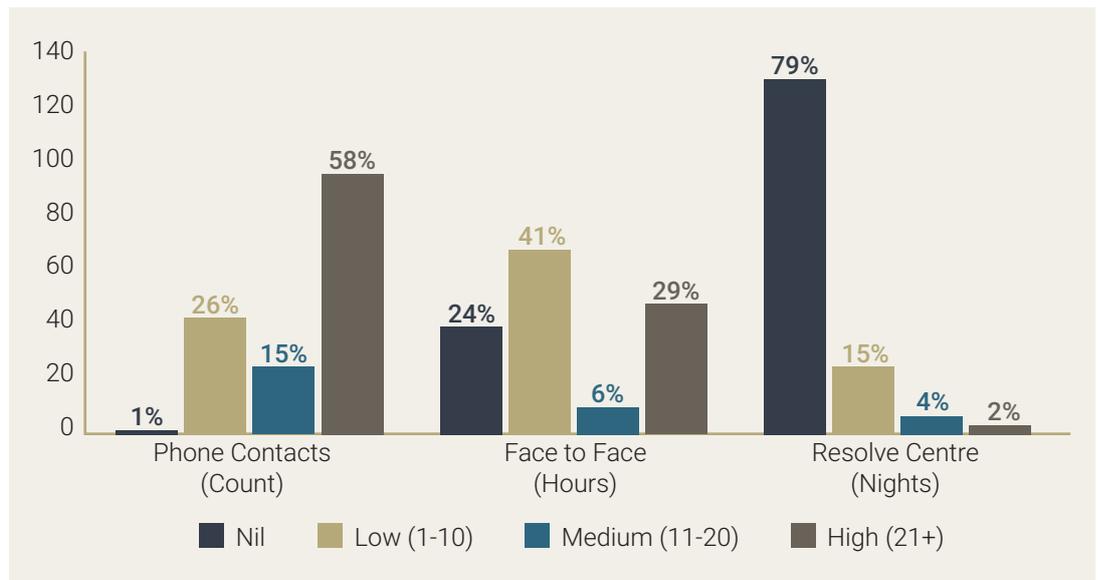


Participant engagement

Of the 167 people who were referred to the Resolve Program, 165 have actively engaged in the program.² 80% of participants have participated actively in the program for more than 80% of the time they have been enrolled.³

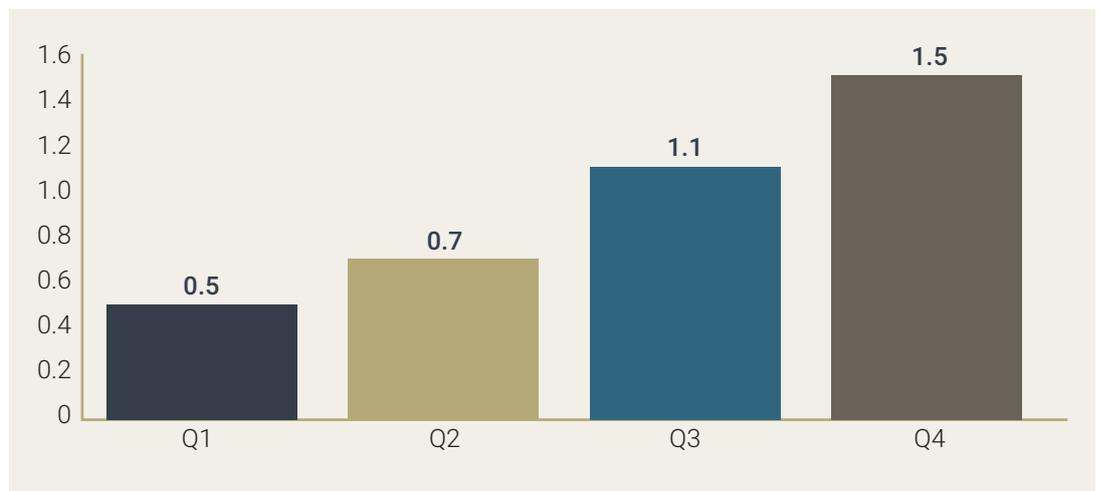
The chart below illustrates the distribution of all referred participants by their level of engagement with the various elements of the Resolve Program up to the end of October 2018. At that point, 21% of referred participants had spent one or more nights in a Resolve centre and 76% of participants had received face-to-face support, noting that many participants had only been on the program for a relatively short time.

Figure 4 Participant engagement with Resolve Program activities



Participants' utilisation of the Resolve centres for overnight stays has increased every quarter as their understanding of the service has grown and their connection with peer workers has strengthened.

Figure 5 Overnight stays per participant per quarter



2. Actively participated is defined as having recorded phone or face-to-face support or having stayed at a Resolve centre.

3. Activity data is recorded monthly.



Participants are engaging well with the structured activities element of the Resolve Program and have enjoyed activities including shopping, lawn bowls, walking groups, board games, movie afternoons and art classes. Cooking classes have been particularly popular, as have Friday afternoon barbecues. The focus of group activities is on developing participants' life skills and enhancing their social connectedness with each other and the community at large.

The peer operated 'warm' line is also being increasingly well utilised, alongside the outreach component of the program, with some participants requesting a home visit just for some company. The warm line differs from other phone supports as it allows participants to receive support before a situation escalates to the point where a crisis intervention is needed. Within the Western NSW LHD outreach support is being provided in Orange, Bathurst, Cowra, Egowra, Wongarbron, Dubbo, Gulgong and Mudgee.

Letter from husband of Resolve participant to Resolve Centre Manager in Orange

Dear Bonnie
Thank you for giving us
your time last Wednesday.
My purpose in writing is to compliment
Resolve on the work it is doing. Being able
to spend time at the house in Orange
on two occasions has kept my wife
out of hospital both times.
What a remarkable organisation you are.
Driving from Orange to _____ to visit
_____, calling her regularly to check on
her welfare & when able, willing to come
to _____ & take _____ to & from the
house.
I have been to the house twice & I
cannot say enough about all the people
I have met there. They are wonderful.
Please continue this invaluable work.
Many thanks _____

Dear Bonnie,

Thank you for giving us your time last Wednesday.

My purpose in writing is to compliment Resolve on the work it is doing. Being able to spend time at the house in Orange on two occasions has kept my wife _____ out of hospital both times.

What a remarkable organisation you are. Driving from Orange to _____ to visit _____, calling her regularly to check on her welfare and when able, willing to come to _____ and take _____ to and from the house.

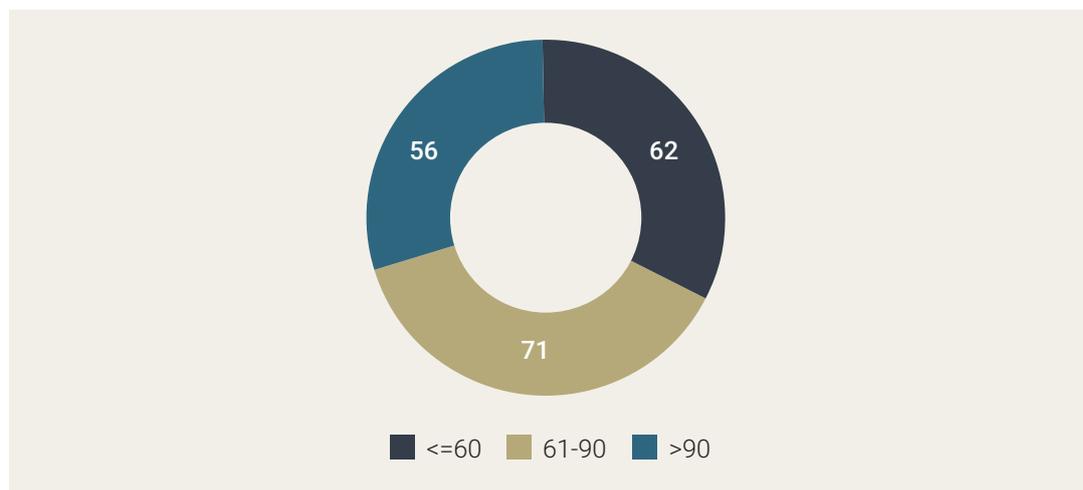
I have been to the house twice and I cannot say enough about all the people I have met there. They are wonderful. Please continue this invaluable work.

Many thanks

Profile of Resolve participants

Over the year prior to their enrolment, Intervention Group members spent an average of 84 days in hospital, 79 of them for mental health reasons. On average, they had 3.6 hospital admissions per person, and presented at an emergency department 5.2 times.

Figure 6 Intervention Group members by number of hospital days in prior year, over the year prior to enrolment



Case study: Kate's⁴ story

Kate joined the Resolve Program in November 2017. Kate has a complex and traumatic family history involving sexual abuse. When Kate was referred, she was experiencing ongoing unmanageable and emotional dysregulation, and was not engaged with any other services. Kate spent most of her time at home and, due to her mental unhealth and chronic pain, was unable to help with chores in her family home.

Since participating in the Resolve Program, Kate has worked with Resolve staff to formalise her sexual abuse complaint and has been working with police in relation to their investigation. This has been a very traumatic process for Kate, and she has been supported by Resolve staff in attending these appointments.

During this process, Kate has stayed periodically at a Resolve centre to help clear her thoughts and maintain her mental health. At the centre, Kate has picked up the hobby of diamond art, and learned to prepare a meal that she now cooks for her family at home.

Kate is now managing her emotions better and seeks outreach support when she feels she isn't coping. Her family situation has also improved, with Kate going away on short breaks with her family. Kate is still participating in Resolve social outings, including doing some grocery shopping for her family while she is out.

Kate has not had any hospital admissions since joining the Resolve Program.

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

Participants referred to the program have presented with a range of complex backgrounds, requiring various levels of community and clinical-based support:

- 80% of participants have more than one mental health related diagnosis;
- 38% have had a hospital admission relating to alcohol, amphetamines, or cannabis use; and
- The majority have at least one physical co-morbidity. For example: 45% have an endocrine, nutritional or metabolic disease; 36% have a disease of the nervous system; and 34% have a disease of the digestive system.

The Intervention Group comprises a broadly equal number of men and women, while Aboriginal and Torres Strait Islander participants make up 14% of the cohort.

The charts below illustrate the characteristics of Resolve participants on entry to the program.

Figure 7 Age distribution of participants

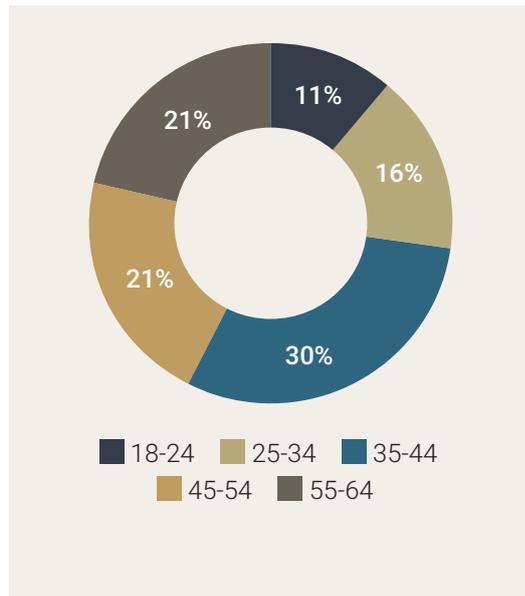


Figure 8 Employment status

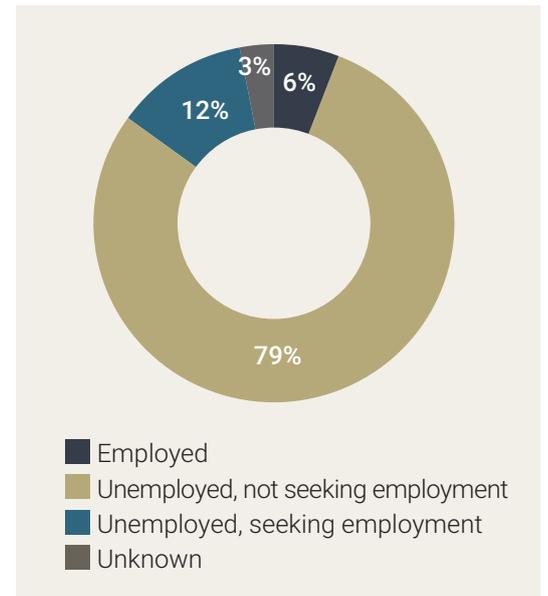


Figure 9 Housing status

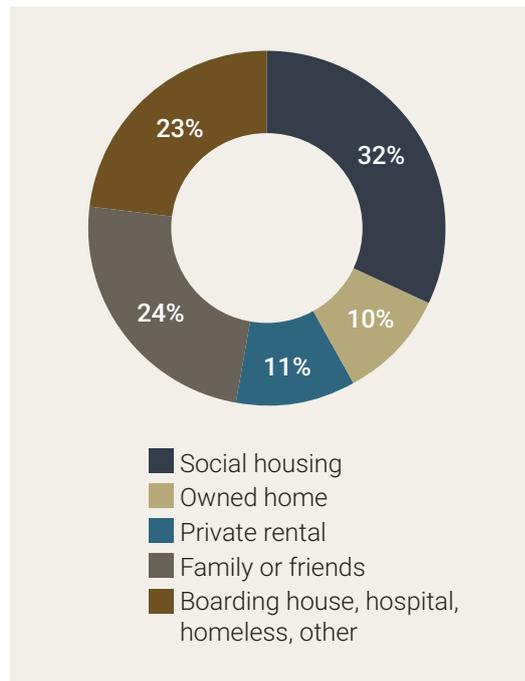
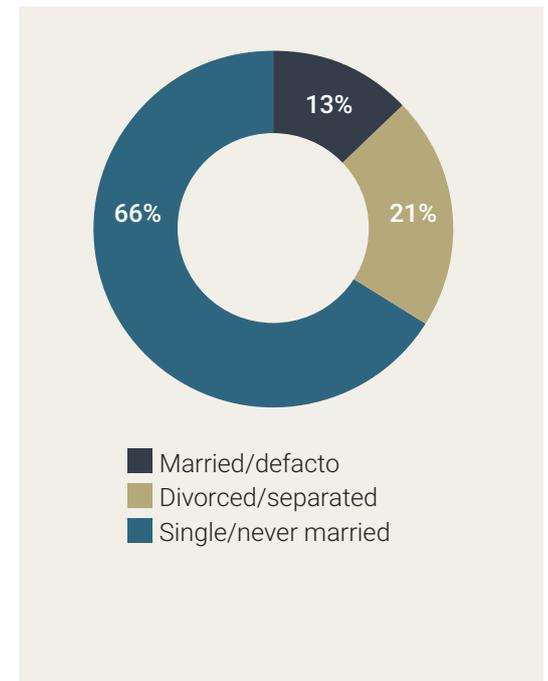


Figure 10 Marital status



Outcomes

The outcome data set out in this section is drawn from BDO's independent certification report for the 30 September 2018 Calculation Date.

Measurement period

Outcomes for each individual were measured over the period from their Enrolment Date to the first Calculation Date on 30 September 2018. Overall, the total 'exposure' or measurement period is in line with plan. On average, Intervention Group members were measured for only 6.6 months.

Table 1 Measurement period

	Target	Actual	Variance
Intervention Group size	168	189	+13%
Average years measured per person	0.63	0.55	-12%
Aggregate Measurement Years	105 years	104 years	-1%

Intervention Group outcomes

As noted above, outcomes for the Intervention Group are only available for a short period, and all data should be treated with caution as they are highly susceptible to statistical error. Year 1 outcomes are also likely to be impacted by the 'ramp up' of the Resolve Program, illustrated by the increase in participant engagement over the year.

On the Calculation Date, 14 members (7%) of the Intervention Group were in hospital. Data for those hospitalisations are recorded on discharge, and so will fall into the Year 2 measurement year. For Year 1, outcomes data for these individuals has been excluded as it may distort results in a small group.

A Control Group has been constructed by the George Institute for Global Health using 'propensity score matching' methodology. Intervention Group members were matched to the Control Group using a range of factors including prior year service utilisation, socio-economic characteristics and co-morbidities. Outcome data for the two groups were adjusted to allow for residual differences that remained after the matching process.

Measured outcomes for the Intervention Group relative to the Control Group are set out in Table 2. While National Weighted Activity Units (NWAUs) are the primary outcome metric, a range of other health services measures are also being tracked.

Table 2 Outcomes relative to Control Group

Outcome measure	Reduction relative to Control Group
NWAUs	12%
Hospital admissions	35%
Hospital bed days	9%
Emergency department visits	20%

At this point in time the small size of both the Control Group and Intervention Group means that comparisons should be made with caution.

Broader program evaluation

During the two-year program, participants are expected to experience improvements in broader life domains including wellbeing, employment and housing status. Tools such as the Recovery Assessment Scale and Camberwell Assessment of Need Short Appraisal Schedule are being used to measure participant wellbeing, and participants' employment and housing status is also being monitored over time. These measures will form part of the broader evaluation process and will be reported on in future Investor Reports once participants have spent longer in the program.

The Resolve Program will also be independently evaluated by Urbis. Urbis will report on program implementation, service model efficacy, participant outcomes, and the appropriateness of the payment metric as an indicator of broader life change. Urbis will produce a baseline, interim and final report over the course of the Resolve SBB.





Case study: John's⁵ story

John was referred to the Resolve Program in October 2017. John was isolated and disconnected from his family and friends, living in temporary housing accommodation with a couple of other people.

John struggled with drug use, and this eventually led to him being hospitalised and exited from his temporary housing situation. John spent a couple of months in the hospital before being engaged with rehabilitation services, where he stayed for several months.

Throughout this time, the Resolve team engaged with John and encouraged and supported him on his recovery journey. After his stay in the rehabilitation centre, John moved in with his parents and slowly began re-building his life. John often calls the warm line and drops into the Resolve centre to attend activities and social outings with Resolve peer workers and other Resolve participants.

John has begun working full-time and has begun exploring private rentals to move into. John recently booked himself in to detox and is now able to recognise when he needs support to prevent a situation from escalating to crisis point.

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

Financial report

Coupon payment

The first Fixed Coupon will be paid to investors on or around 31 March 2019.

The Fixed Coupon rate is 2% per annum, and the first Fixed Coupon payment will reflect the time since each Tranche of Notes was issued, in accordance with the following formula:

$$\begin{aligned}\text{First Fixed Coupon Payment} &= \text{Note Value} \times 2.00\% \times (N1 + N2) / (365 \times 2) \\ &= \text{Note Value} \times 2.00\% \times (639 + 275) / 730 \\ &= \text{Note Value} \times 2.50411\%\end{aligned}$$

Where:

- Note Value is the number of Notes multiplied by \$100 (the note issue price).
- N1 is the number of days from the issue date for the Tranche 1 Notes (being 30 June 2017) to 31 March 2019.
- N2 is the number of days from the issue date for the Tranche 2 Notes (being 29 June 2018) to 31 March 2019.

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 June 2017 to 30 September 2018, cashflows to and from the Resolve SBB Trust (excluding GST) were as follows:

Table 4 Resolve SBB Trust cashflows to 30 September 2018 relative to Target performance scenario

\$m	Target	Actual	Variance
Note subscription amounts	7.0	7.0	-
Government Payments ⁶	6.0	6.0	-
Interest on cash ⁷	0.21	0.19	-0.02
Total Inflows	13.21	13.19	-0.02
Payments to Flourish	2.41	2.10	-0.31
Establishment Costs	0.23	0.24	+0.01
Management & Other Fees	0.23	0.14	-0.09
Coupons	-	-	-
Total Outflows	2.87	2.48	-0.39
Balance of Trust Assets	10.34	10.71	+0.37

The only material variance is payments to Flourish Australia, which were lower than planned due to staffing shortfalls. Independent Evaluator fees are also slightly lower than planned due to a timing difference.

6. Government payments to date are 'standing charge' or fixed amounts.

7. Includes accrued interest on term deposits of \$0.04m.

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: An aspiring musician on the Resolve program in Cranebrook.
All photos sourced from Flourish Australia.

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