

Resolve Social Benefit Bond

Annual Investor Report
Period ending 30 September 2023
Issued April 2024



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Foreword

Dear Investor,

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

At the end of September 2023, the Resolve SBB marked its sixth year of supporting people experiencing mental ill-health in the Western NSW and Nepean Blue Mountains Local Health Districts. Enrolment to the Resolve Program (**Resolve** or **Program**) ceased in September 2022, and the Program will gradually phase down in order to cease by September 2024. This is the penultimate annual report, with Resolve now in its final year of operation. Program outcomes for 79% of the Intervention Group have now been assessed, as those individuals have completed their two year measurement period. The cumulative NWAU reduction at the end of Year 6 is stable at 65.6%. Following the receipt of the Outcome Payment from NSW Health, investors will receive a partial redemption of just over one third their Notes.

As no follow-on funding arrangement for the Resolve Program in its current form has been established, Resolve will continue to wind-down under the social impact bond funding arrangement. Planning for the final phase of the independent evaluation will continue this year, which will include examining the different outcomes for the Resolve Program relative to the control group. This will also consider the engagement with different components of the Resolve Program and access to other community mental health supports. It is intended that the learnings from the Resolve SBB will inform mental health policy and the commissioning of community based mental health programs in the future.

In this report we summarise the Resolve SBB over its first six years, provide an update on operations and performance and share participant stories. We hope you enjoy reading about the progress and learnings to date.

Kind regards,



A handwritten signature in black ink, appearing to read 'K. Armstrong'.

Kirsten Armstrong

Director, Impact Investing



A handwritten signature in black ink, appearing to read 'P. Bollen'.

Patrick Bollen

Associate Director, Impact Investing

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

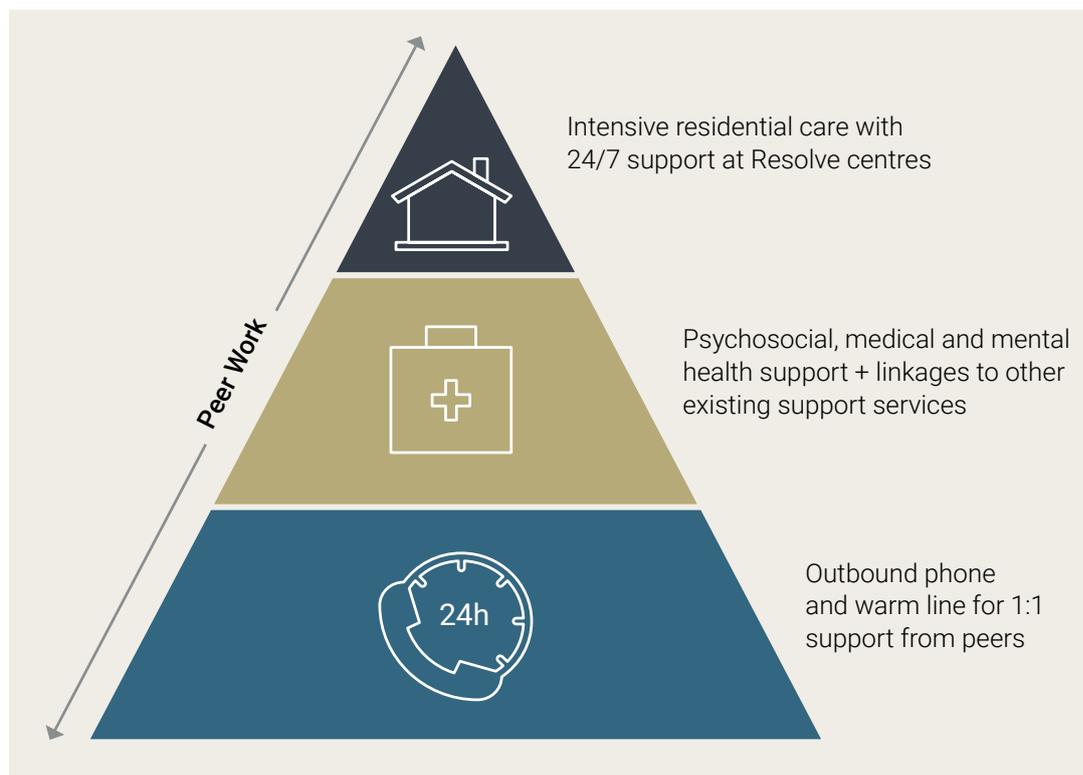
The Resolve Program is a recovery-orientated community support program that works with individuals who have spent between 40 and 270 days as a mental health inpatient over the year prior to their enrolment. Each individual is supported for up to two years, with any individuals participating in Resolve at 30 September 2022 (the end of the enrolment period) being offered an additional year of support.¹

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 help participants to live well in the community and provide respite, whilst acting as a central hub for activity and services.

Figure 1 Resolve Program elements



1. Subject to the Program end date of 30 September 2024. Outcomes recorded by participants during the extension period do not contribute to the determination of outcome payments and therefore do not impact investment returns.

SBB overview

The Resolve SBB is underpinned by an outcomes-based contract between NSW Health and the Resolve SBB Trust², under which payments are 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 the baseline year prior to their enrolment in Resolve.

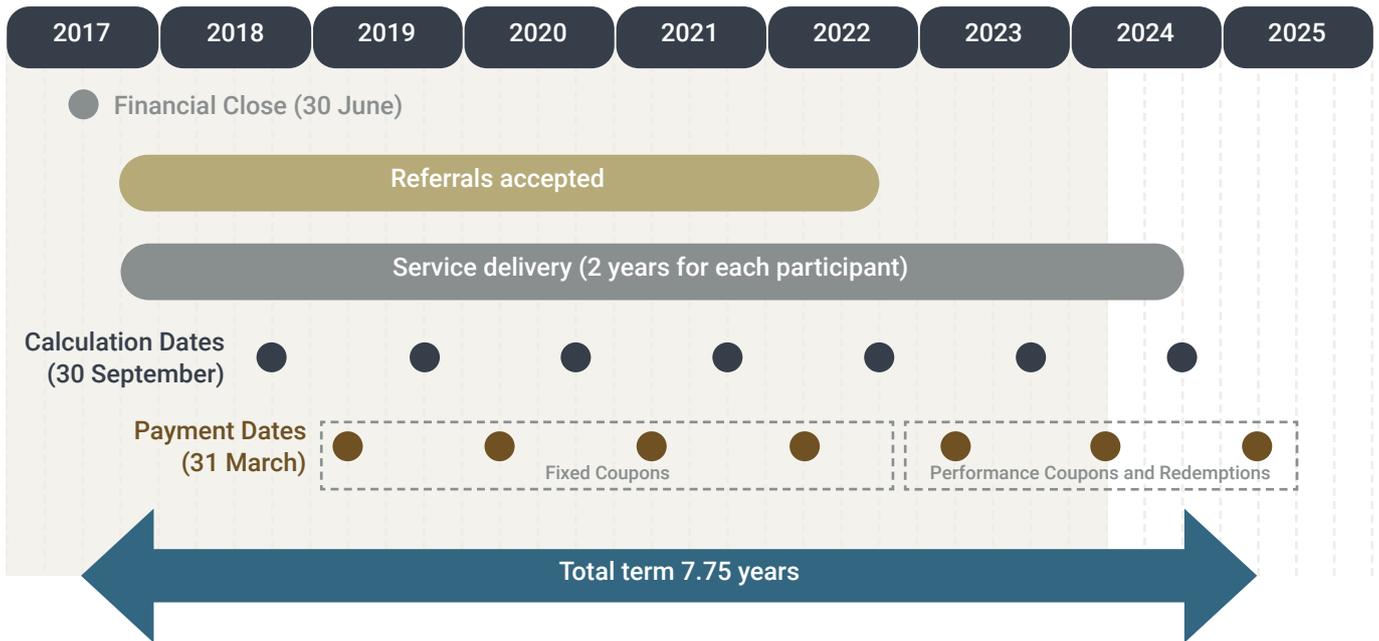
Specifically, outcome payments are made based on the reduction in the number of National Weighted Activity Units (**NWAUs**), which is an activity measure reflecting both the duration and intensity of health service delivery. The level of these payments from NSW Health will in turn be reflected in the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

Investor returns

Investors received a 2% per annum Fixed Coupon over the first 4.75 years of the bond. No Performance Coupon was payable in Years 5 and 6, however, Investors may receive a Performance Coupon in the final year. Performance Coupons and Redemptions are determined by the balance of Trust Assets³, and are thus directly linked to the performance of the Resolve Program. Other influences include the amounts paid to Flourish Australia and earnings on cash balances in the Trust.

Timeline

Figure 2 Resolve SBB timeline



2. SVA Nominees Pty Ltd as the trustee of the Resolve SBB Trust is the issuer of the Resolve SBB, and is managed by Social Ventures Australia Limited.

3. Trust Assets are all the rights, property and undertaking of the Resolve SBB Trust.

Program update

Enrolments and referrals

The Intervention Group, which was complete at the end of Year 5, comprises **573 individuals**, 9% higher than planned (526). The Resolve Program is no longer enrolling new participants.

Of those enrolled in the Intervention Group, a total of **469 people were referred** to the Resolve Program (29 less than the planned figure of 498), while 104 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'⁴ measurement approach.

The overall proportion of the group that is 'enrolled but not referred' (**EBNR**) is 18%, which is more than three times higher than the rate initially expected. The high EBNR rate has meant that more enrolments than planned were needed to meet minimum referral numbers. In some instances, the minimum referral numbers were not met, and as a result a total of 39 'deemed' enrolments have been included in the calculation of Program Savings since program inception.

Please see previous [Annual Investor Reports](#) for further information about enrolment and referral numbers.

Mandy's story⁵

Mandy is a 65-year-old woman, who was referred to the Resolve Program after spending an extended period of time in hospital receiving treatment and support for her schizoaffective disorder. Mandy has been an active participant in the Resolve Program, utilising all the supports offered by the Program over the last two years and benefitting from the extension of support offered by Resolve. Throughout her time in the Program, Mandy has displayed her positivity and hope on her journey to recovery through her art and optimistic personality.

During a residential stay at the Orange centre, Mandy mentioned how much she enjoyed photography. She is an exceptional artist and has previously gifted the Resolve team some of her artwork to display in the residential house. Mandy had discussed with Resolve staff an Individual Recovery Plan (IRP) goal to complete a photography or art course online to attain official credentials in a relevant field, however, she did not have a computer or working camera. The Resolve team purchased Mandy a laptop and camera through the Program's brokerage to support her passion for art and photography. The Resolve team also discussed with Mandy options for online photography courses in relation to her goal. She was extremely excited about the prospect of having an opportunity to pursue her passion.

During her time in the Resolve Program, Mandy has not needed to return to hospital for mental health reasons, she has been approved for NDIS support, she has been working independently towards her IRP goals, and is actively engaging with her passion for photography. Although she is saddened that the Resolve Program is ending, she has stated how grateful she is to have been in the Program allowing her to receive support from peer workers during a difficult time in her life, and that Resolve support has been a huge stepping stone towards her recovery.

4. Intention to treat analysis measures outcomes for all patients assigned to a group regardless of the treatment they actually received.

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

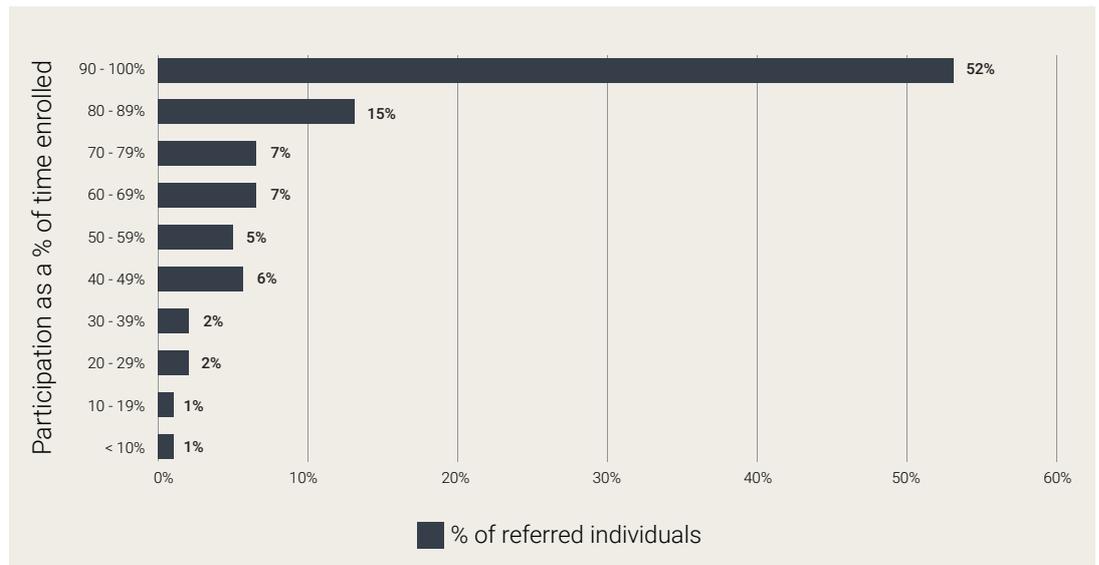
Participant engagement

The chart below shows the level of participation for all individuals who have been referred to the Program over the six years it has been operational. In any month, an individual is classified as 'participating' if a phone contact is recorded, they accessed face to face support, or spent a night at a Resolve centre. For example, if an individual has been enrolled for 16 months and had contact with Resolve in 14 of those months, their participation level is 87.5%.

Over half of participants have engaged with support in over 90% of their time with the Program, and 86% have engaged at least half the time. This is consistent with last year.

12 individuals (2.6% of those referred to the Program) have sadly died during their two year support period.

Figure 3 Participant engagement level



There are some discernible differences in the proportion of individuals with various attributes engaging for at least 80% of their time with the Program (who are regarded as consistently participating):

- men are less likely to consistently participate than women (64% vs 70%); and
- people who identify as Aboriginal or Torres Strait Islander are less likely to consistently participate than those who don't (57% vs 69%).

Flourish Australia and the LHDs have explored ways to improve the Program's connection with men and with First Nations people, including developing linkages with local men's sheds and Aboriginal Community-Controlled Organisations, and providing cultural safety training for staff.

On average over the year each referred participant⁶:

- had 76 phone contacts (up from 71 in year 5)
- accessed 47 hours of individual face to face support (up from 26 in year 5)
- stayed at a Resolve centre for 0.9 nights (down from 1.0 in year 5)

6. All referred individuals who had not completed their two year support period at the start of each quarter during Year 6, including those who disengaged from the Program for any reason. Year 5 figures differ slightly to those reported last year due to slight change in approach.

The increase in face-to-face support hours is due to the Resolve team being fully resourced, meaning more direct supports could be provided to participants, and participants feeling more comfortable accessing in person support following the end of Covid-19 restrictions. The reduction in overnight stays at Resolve centres was in part due to lower resourcing levels at the Orange centre meaning that participants are required to 'book-in' with the Resolve Program if they would like to stay overnight at a centre.

The Resolve Program has introduced Learning 2 Be groups over the past two years which focus on capacity building to help participants better manage their recovery. The groups also work on developing life skills such as budgeting, communication and healthy relationships. These groups include up to six participants at a time and involve an educational video followed by open discussion and reflection. Participants have provided positive feedback about these sessions, and Flourish Australia has started introducing the groups into other programs.

Group activities continue to be well attended by Resolve participants. Staff seek input from participants into the schedule of activities for the upcoming month. Recent centre-based activities have included cooking, arts and craft, candle making and board games. Group outings have included picnics, beach days, bush walks, and visits to attractions such as the Sydney Aquarium, Madame Tussauds and the Powerhouse Museum.

Geoff's story⁷

Geoff is a 59-year-old man, who was referred to the Resolve Program after spending extended periods of time in hospital receiving treatment for his diagnosis of schizophrenia. Geoff lives alone and consistently participates in Resolve's group activities and weekly visits. Geoff enjoys interacting with the Resolve peer workers due to feeling isolated at times. He recently expressed his gratitude for receiving additional visits and peer support to further engage in the community.

Throughout Geoff's time in the Resolve Program, he has also expressed his enjoyment of the Resolve activity days held on a Thursday and Saturday of each week. Geoff engages on most activity days and contributes throughout the activities, lending support to his peers, and building his social skills.

Over the last two years, the Resolve team has had the privilege of supporting Geoff to embrace and overcome the challenges he has experienced with his mental health. One such example is when Geoff had a particularly unsettled moment at a Resolve activity, and team members were able to support him in getting the help he needed. Geoff felt safe and was able to return to activities after a short break. He was appreciative of the understanding, support and re-integration into the activity, which was smoothly implemented by the Resolve team.

Geoff has achieved additional coping skills and an increased ability to recognise when he is becoming unwell through his regular conversations and interactions with Resolve peer workers. He has learned to seek help in a timely manner, and also better manages his moods and emotions.

Geoff has expressed his desire to extend his time in Resolve as part of the extension by the Program, and to continue working towards his recovery goals of maintaining good mental and physical health.

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

Profile of Resolve participants

Over the year prior to their enrolment, Intervention Group members were significant users of health services. In the year prior to their enrolment, on average, each individual who has completed their 2-year measurement period⁸:

- presented at an emergency department 5.2 times;
- was admitted to hospital 3.6 times;
- spent 90.4 days in hospital, of which 85.2 days were mental health related; and
- incurred 21.2 NWAUs, equivalent to \$128,000⁹ of hospital-related costs.

Please see previous Annual Investor Reports for further information about the profile of participants in the Intervention Group.

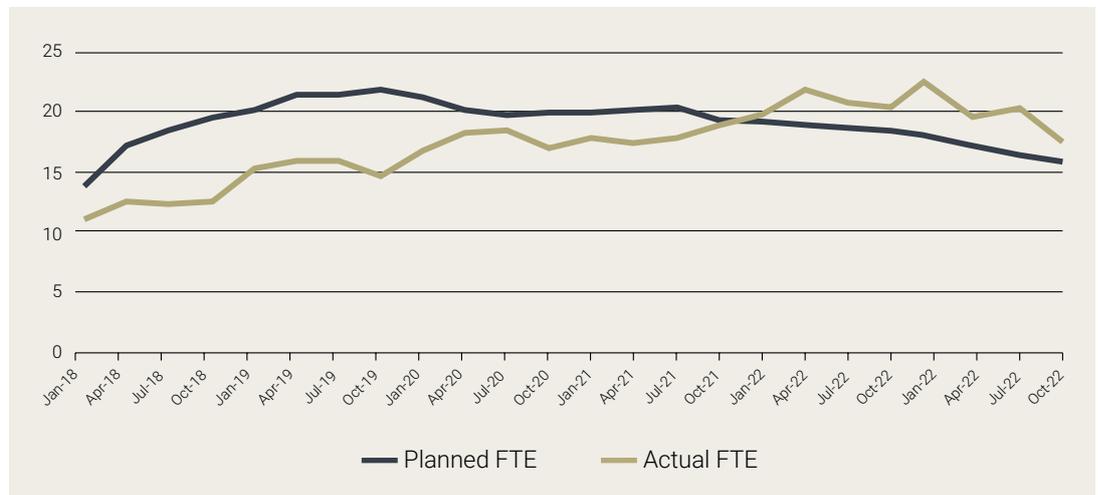
Resolve staff

Resolve Program staffing gradually reduced over the sixth year of operations as planned, and will continue to reduce as the Program winds down.

As the Program continues to wind down in its final year, it is recognised that retaining staff will be a challenge. Already during the December 2023 quarter, there were unplanned staff departures which meant that the Orange centre was unable to offer residential stays for the final quarter of the year. Flourish Australia has since been able to fill these roles.

Flourish Australia are implementing measures to ensure that Resolve staff across both centres are encouraged to continue working with the Program until service delivery ceases in September 2024.

Figure 4 Resolve Program staff FTE



8. Prior service usage data only available for participants who had completed their two-year support period at the end of September 2022.

9. Based on the National Efficient Price (NEP) for 2023-24 of \$6,032 per National Weighted Activity Unit (determined by the Independent Hospital Pricing Authority).

Extension of support

As reported last year, SVA, Flourish Australia and NSW Health agreed that those individuals who were participating in Resolve at 30 September 2022 (the end of the enrolment period) would be offered an additional year of support, subject to the Program end date of 30 September 2024. This extended support period utilises the latent capacity of the Program during the service wind-down period.

At the end of Year 6, 65 participants were eligible for an additional year of support, of which 36 participants had taken up the opportunity to extend their time in the Program (representing a 55% uptake of the offer). Some participants have declined the offer as they feel they have had their goals met and have other supports in place, while others have not been contactable upon the completion of their two-year support period.

It is anticipated that a total of 127 participants will be eligible for up to an additional year of support before the end of the Program.



Outcomes

Measurement Years

The **453 individuals** enrolled during Years 1-4 have reached their second anniversary of enrolment and have now completed their measurement period. The cumulative Completed Measurement Years at the end of Year 6 was thus 906.

It is estimated that there will be a total of 1,146 Completed Measurement Years recorded over the full contract, two for each enrolled individual, so 79% of completed outcomes have been measured at this point.

NWAU reduction

The outcome measure used to determine the performance of the Resolve Program is the number of NWAUs recorded by all Intervention Group members who have completed their two year measurement period, compared to the number of NWAUs recorded by those individuals in the one year prior to their enrolment in the Resolve Program.

$$\text{NWAU Cumulative Reduction} = \frac{\text{Counterfactual NWAUs} - 0.5 \times \text{Recorded NWAUs}}{\text{Counterfactual NWAUs}}$$

where:

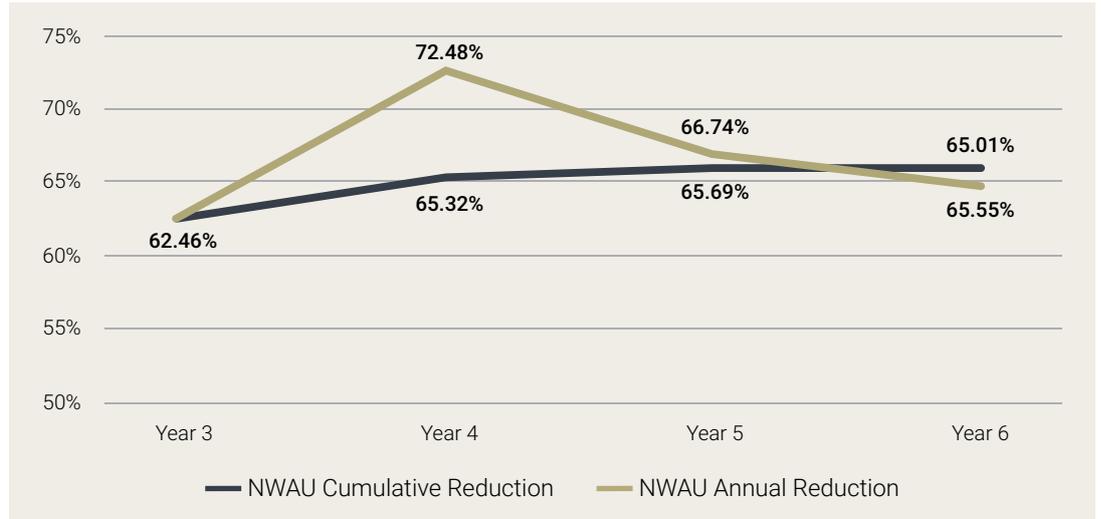
- Counterfactual NWAUs is the NWAUs recorded by 'completed' Intervention Group members in the year before their enrolment
- Recorded NWAUs is the NWAUs recorded by 'completed' Intervention Group members in the two years after their enrolment

At the sixth Calculation Date the **NWAU Cumulative Reduction is 65.55%**¹⁰. This figure updates last year's cumulative reduction figure of 65.69% to reflect the NWAU Annual Reduction for the 95 'completers' in Year 6 of 65.01%.



10. The outcomes data set out in this section is drawn from BDO's independent certification report for the 30 September 2023 Calculation Date.

Figure 5 NWAU Annual Reduction



Single year Annual Reduction figures are expected to be more volatile than the Cumulative Reduction due to the smaller number of individuals in each completing cohort.

It should be noted that these reductions (and those reported below) may not be entirely attributable to the Resolve Program as in prior years a matched control group also recorded a reduction in NWAUs over a two year measurement period.

Change in service utilisation

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.

	Prior year average per Intervention Group member	Measured average per Intervention Group member per year	Reduction
Hospital bed days	90.3	29.7	67%
Hospital admissions	3.6	1.7	52%
Average length of stay (days)	25.3	17.1	32%
Emergency department visits	5.2	3.1	40%

These results demonstrate that Resolve participants who have completed their two-year support period have experienced a reduction in health service utilisation while being enrolled in the Program. Hospital stays have reduced in both number and length.

Financial report

Program Savings

The Cumulative Program Savings is the total of:

- the Completed Program Savings for each Calculation Date that has occurred; and
- the Accrued Program Savings at the current Calculation Date.

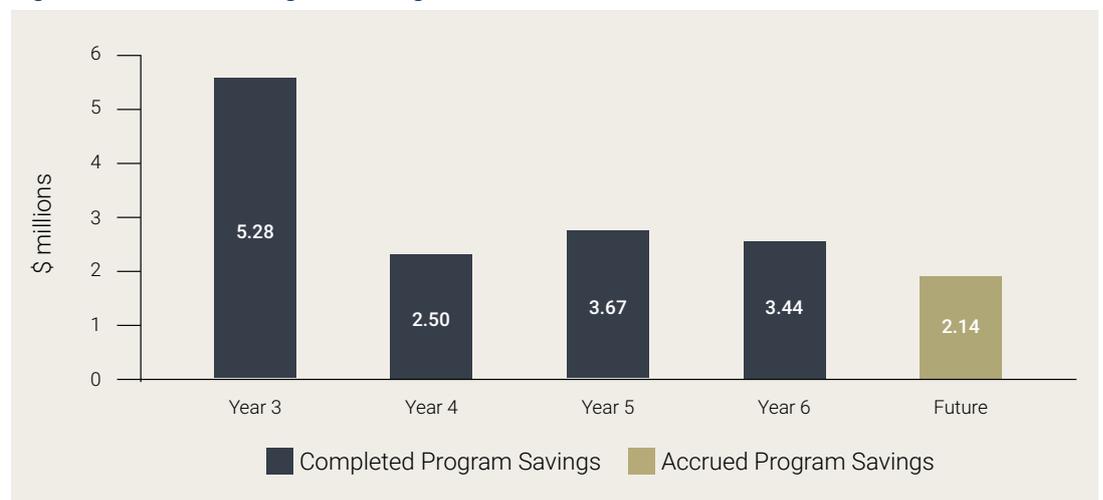
The Completed Program Savings for Year 6 is calculated as:

$$\begin{aligned} \text{Completed Program Savings} &= (\text{Completed Measurement Years} + \text{Deemed Completed Measurement Years}) \times \text{Annual Cost Base} \times \text{NWAU Annual Reduction} \\ &= (190 + 26^{11}) \times \$24,500 \times 65.01\% \\ &= \$3.440 \text{ million} \end{aligned}$$

The Accrued Program Savings is an allowance for savings arising from time already spent on the Program by enrolled individuals (and deemed enrolments) who have not yet reached their two-year anniversary. At the end of Year 6 the Accrued Program Savings was \$2.139 million.

At the sixth Calculation Date, **Cumulative Program Savings were \$17.034 million**, an increase of \$3.105 million over the figure at the end of Year 5.

Figure 6 Cumulative Program Savings contribution



Outcome Payment

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 Savings¹²; less
- all previous payments including the Standing Charge.

11. Two years for each of the 13 Deemed Enrolments in Year 4 who have reached the second anniversary of their Deemed Enrolment Date.

12. The first and second tiers of Cumulative Program Savings increase gradually each year, and will reach \$17 million and \$2 million respectively at the final Calculation Date.

At the sixth Calculation Date:

- the Cumulative Program Savings was \$17.034 million as detailed above;
- the first tier of savings payable was \$15.25 million;
- the second tier of savings was the next \$1.5 million; and
- previous payments total \$13.090 million.

Accordingly, an **Outcome Payment of \$2.535 million**¹³ was received by the Resolve SBB Trust on 3 April 2024.

Trust Assets and Cashflow

Performance coupons in 2023-2025 and redemption payments, including redemption payments on termination, are linked to the value of assets in the Trust. From its commencement in July 2017 to 31 March 2024, cashflows to and from the Resolve SBB Trust (excluding GST) were as follows:

Table 2 Resolve SBB Trust cashflows to 31 March 2024

\$m	Initial Target	Actual	Variance
Note subscription amounts	7.00	7.00	-
Government payments ¹⁴	19.68	13.09	(6.59)
Interest on cash	1.24	0.95	(0.29)
Total Inflows	27.92	21.04	(6.88)
Payments to Flourish Australia	16.69	14.03	2.67
Management and other costs	1.19	1.21	(0.03)
Coupons ¹⁵	0.60	0.60	-
Redemption payments ¹⁵	4.00	3.25	(0.75)
Total Outflows	22.47	19.08	3.39
Balance of Trust Assets	5.44	1.96	(3.48)

Payments to Flourish Australia during Year 6 have been in line with the revised maximum contractual payments that were implemented in 2020 (10% lower than initial plan).

Trust Assets are held in term deposits and cash accounts.

In previous years, the audited financial statements of Resolve SBB Trust are lodged with the Australian Charities and Not-for-profits Commission on an annual basis. In FY23, the Trustee assessed that the Trust does not meet the Australian Charities and Not-for-Profit Commission's definition of a large charity, nor is it expected to in future. Therefore, the Resolve accounts were reviewed rather than audited, in line with the amended ACNC requirements for medium-sized charities. PwC issued an unmodified independent auditor's review report on the FY23 accounts.

13. $15.25 + (16.75 - 15.25) \times 25\% - 10.274 = 2.535$

14. Does not include Outcome Payment of \$2.535 million received on 3 April 2024.

15. Excludes coupons and redemption payments in respect of 31 March 2024.

Coupon Payment

A Performance Coupon is payable within 10 business days of Coupon Determination Dates 5, 6 and 7. Coupon Determination Date 6 is 31 March 2024.

The Performance Coupon this year is determined as each Noteholder's pro rata share of the Distributable Trust Assets as at Coupon Determination Date 6.

The Distributable Trust Assets are determined as the Trust Assets less the aggregate of:

- a. the maximum prospective amounts payable to Flourish Australia under the Services Agreement and to SVA under the Management Deed;
- b. an appropriate allowance for any other future debts and liabilities, including payments to the Independent Certifier; and
- c. the outstanding principal amount of the Notes then on issue.

The Distributable Trust Assets calculated as at 31 March 2024 is included below. This figure includes an allowance for the earned Outcome Payment detailed above, but not for any future Outcome Payments that may be payable.

Table 3 Estimated Distributable Trust Assets as at 31 March 2024

	\$m
Trust Assets at 31 March 2024 (as per above)	1.96
Outcome Payment due (as per above)	2.54
Maximum prospective contractual payments ¹⁶	(1.62)
Allowance for future debts and liabilities ¹⁷	(0.08)
Outstanding principal amount of all Notes	(3.75)
Distributable Trust Assets	(0.96)

As the Distributable Trust Assets as at 31 March 2024 are less than \$0, **no Performance Coupon will be payable.**



16. Maximum payments to Flourish Australia and SVA.

17. Independent certifier and evaluation fees.

Redemption Amount

A Redemption Amount is payable within 10 business days of Coupon Determination Dates 5, 6 and 7.

The Redemption Amount this year will be each Noteholder's pro rata share of the Redeemable Trust Assets as at Coupon Determination Date 6. The aggregate Redemption Amount payable in respect of Coupon Determination Dates 5 and 6 together may not exceed \$6 million (86% of the Notes) and the Redemption Amount paid in respect of Coupon Determination Date 5 was \$3.25 million. Accordingly, the maximum Redemption Amount payable in respect of Coupon Determination Date 6 is \$2.75 million.

Redeemable Trust Assets are equal to the Distributable Trust Assets plus the outstanding principal amount of all Notes. The Redeemable Trust Assets at 31 March 2024 is thus \$2.79 million (which is greater than the maximum Redemption Amount outlined above).

Accordingly, an aggregate Redemption Amount of approximately **\$2.75 million** will be paid on or before 15 April 2024¹⁸. **Approximately 39% of Notes will be redeemed**, meaning that in total 86% of Notes will have been redeemed following payment of the Redemption Amount. The number of Notes redeemed to each investor will be rounded down to the nearest whole Note, and Tranche 1 Notes will be redeemed before Tranche 2 Notes. The remaining 7% of Tranche 1 Notes will be redeemed, and approximately 71% of Tranche 2 Notes will be redeemed.



18. Allowing for public holidays.

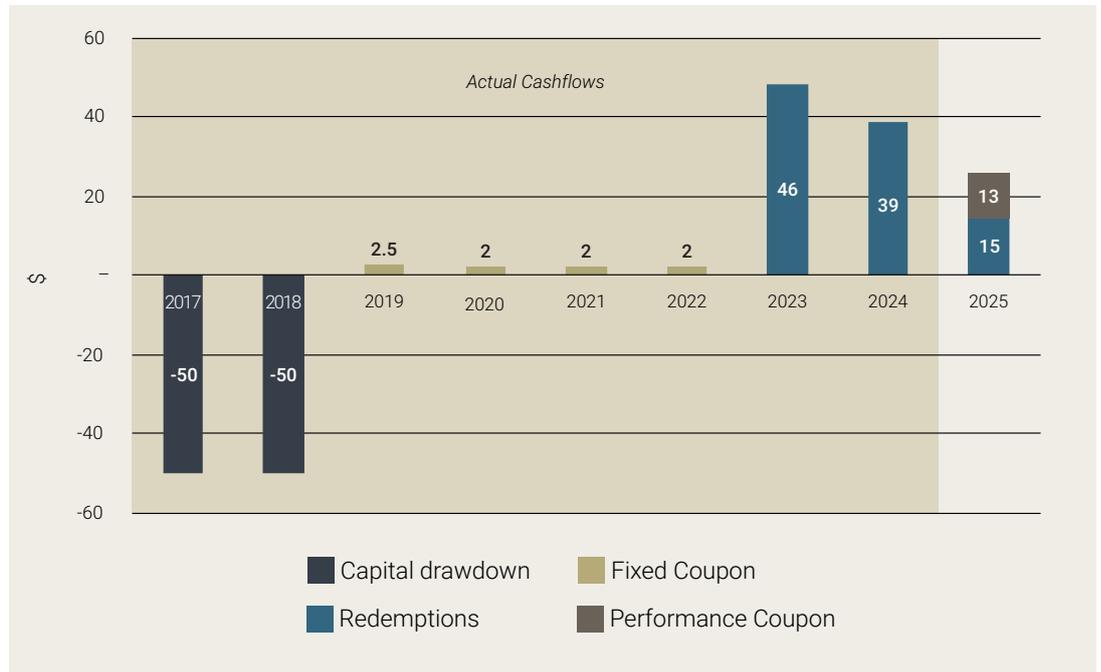
Projected Noteholder Payments

The projected Noteholder cashflows under the terms set out in the [Resolve SBB Information Memorandum](#) and the Circulating Resolutions issued in 2019, 2020 and 2021 are included in the chart below. To generate these projections the following assumptions have been made:

- NWAU Annual Reduction of 65.55% at the final Calculation Date;
- nil earnings on cash balances; and
- maximum contractual payments to Flourish Australia.

All coupons and redemptions are paid on or about 31 March in the relevant year; capital drawdowns occurred on 30 June in the relevant year.

Figure 7 Actual and Projected Noteholder payments per \$100 invested



These actual and projected cashflows represent an **internal rate of return (IRR) of 3.4% per annum**. The original target IRR outlined in the [Resolve SBB Information Memorandum](#) was 7.5%, however, as set out in the Circulating Resolution issued in 2021 the projected IRR based on the estimated NWAU Annual Reductions was 1.9%.

Neither SVA Nominees Pty Ltd (the issuer of the Resolve SBB Notes), Flourish Australia, nor any other person guarantees that the projected outcomes will be achieved. If the actual outcomes achieved differ from the projected outcomes then the rate of return on the Notes will differ from that projected.

Disclaimer and confidentiality

This document has been prepared by Social Ventures Australia Limited (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, including the subsequent amendments provided for in the Circulating Resolution Memorandums issued on 24 October 2019, 28 August 2020 and 30 April 2021. The information contained herein should be considered as indicative only 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

All photographs supplied by Flourish Australia.

Social Ventures Australia
Darwin | Melbourne | Perth | Sydney | ABN 94 100 487 572 | AFSL 428 865
resolvesbb@socialventures.com.au | socialventures.com.au | [@Social_Ventures](https://www.instagram.com/Social_Ventures)

