



Social Impact Investing: Submission to Treasury

NDS appreciates the opportunity to comment on how social impact investing may be used to assist people with disability. While the National Disability Insurance Scheme (NDIS) is improving the supports available to people with significant and permanent disability, it only forms part of what is needed. More can and should be done, including for people with disability who are ineligible for the NDIS.

NDS is interested in how social impact investing could support and drive service innovation alongside the NDIS. Many providers of disability services do not have adequate capital resources to support service innovation; this could be one way of assisting.

NDS does, however, urge caution. The outcomes achieved by a substantial proportion of the supports that will be funded by the NDIS (such as personal care and support to participate in community activities) cannot easily or reliably be measured. Nor would successful service provision which improved the quality of life of service recipients generally result in a reduction of supports. Any investigation of social impact investing for disability services should take this into account.

The following list of opportunities is not exhaustive but highlights areas where further research into the use of social impact investing for people with disability is warranted.

Stimulate procurement from Australian Disability Enterprises

Australian Disability Enterprises (ADEs) perform an indispensable role in employing 20,500 people with disability most of whom would otherwise be excluded from the workforce.

NDS has initiated the BuyAbility campaign. It uses social impact measurement to promote supported employment as a valuable option for people with disability. This will be used to drive greater procurement of goods and services from businesses that provide supported employment – and thus create jobs.

NDS's recent Federal Budget Submission outlined the considerable opportunities to expand government procurement practices to achieve better employment outcomes for people with disability. Since 2011, the Disability Enterprise Procurement program in NSW, which NDS administers, has generated over \$16.1 million in contracts of work for 49 supported employment enterprises. More than 600 people with disability have work as a result. This needs to be mirrored by other governments.

Social impact investing could be explored as an avenue to stimulate the capital investment required for ADEs to upgrade plant and equipment and to grow. More

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secure jobs into the future will mean that more people with disability can work, thus reducing the reliance on more expensive options such as non-vocational community participation support.

To encourage organisations to purchase goods and services from ADEs, the resulting social impact (as measured) could be weighted in the assessment of tenders conducted by government agencies. Organisations that purchase from ADEs would therefore be rewarded in government procurement decisions.

Case Study: BuyAbility

BuyAbility is a network of forward-thinking ADEs. Its 70 network members employ more than 11,000 people with disability across Australia in a supported working environment. The network is committed to growing supported employment to give more people with disability the opportunity to participate in the workforce. The network helps to connect people with disability with employers, to connect employers with prospective buyers and to promote the great work of ADEs.

The BuyAbility Impact tool was developed to demonstrate the social and economic impact of both individual supported employment providers and the supported employment sector as a whole. The tool demonstrates net economic impact of supported employment providers through a formula that takes into account unfunded capital purchases by employers, tax paid and DSP recovered from supported employees due to their earning a wage, the equivalent cost of non-vocational day support, less employment support funding.

The tool demonstrates the positive social impact of supported employment by allowing providers to identify a range of complementary support options provided for their employees. These include; formal training, on the job skills, employee satisfaction, employee outcomes, additional benefits and employee case studies. Social impact is further measured through employees completing a simple six question survey measuring employee satisfaction across a range of indicators relating to job satisfaction, peer interactions and the benefits of earning an income.

The tool demonstrates these economic and social impacts through the production of reports tailored for various audiences including existing and potential customers, the media and potential supported employees. In addition, NDS will be able to produce reports that demonstrate the aggregated impacts of campaign members nationally or in a particular state or region.

Initial analysis of data indicates that the 70 BuyAbility network members provide supported employment for 11,081 people with disability. Based on recent financial surveys of supported employment providers, these organisations would generate income in the vicinity of \$346 million pa and provide \$372.2 million pa in direct savings to Australia.

Preliminary data of the economic impact of 11 BuyAbility network members (as of 10 February 2017) indicates they employ 2,111 people and provide a net economic impact about \$70 million.

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Accessible and affordable housing development

There is a critical need to stimulate the development of accessible, affordable and well-located housing for people. The solution requires the government, private sector, institutional investors and non-profit organisations to work together in new and collaborative ways. Critical to achieving this is to better connect capital to the social and affordable housing sector.

Compared with overseas jurisdictions such as the United Kingdom and United States, the scale and sophistication of social and affordable housing finance in Australia is limited. Australia's largest non-profit community housing providers typically own or manage around 2,000-3,000 dwellings. In contrast, non-profit housing associations in the UK have secured £62 billion in loans against two million dwellings transferred from the public sector. In Australia, housing associations are hampered by the fact that institutional investors generally seek large-scale (greater than \$100 million) transactions with organisations with a recognised credit rating.¹

At full scheme, the NDIS will provide a housing stimulus (about \$700 million annually) to assist about 6% of the estimated 460,000 people who will become NDIS participants. This will be done through a Specialist Disability Accommodation payment to owners or renters of property used by people with very significant support needs. While welcome, it falls well short of what is needed to create the housing desired by most people with disability (it is estimated that by 2020, more than 100,000 participants of the NDIS could be without access to well-located, accessible and affordable housing; in addition, there is huge demand for similar housing from people with disability who are not eligible for the NDIS).

Equity investment programs such as Social Impact Bonds should be among the options assessed for their efficacy in stimulating investment in good housing for people with disability. The urgent need for such housing should make it a priority for consideration by Treasury.

Innovation in assistive technology

One of the real success stories of the NDIS is greatly improved access to assistive technology (including aids and equipment) by participants in the scheme. For some participants, better access to this technology reduces the number of hours of support that disability support workers need to provide; it may improve their productivity at work or their ability to move around their community. For example, we are now seeing the development of electric wheelchairs that are driven by brain waves or by eye pointing. Despite the potential, investment in the development of new assistive technology is low due to the high development costs.

NDS urges Treasury to consider the merits of using social impact investing to drive the development of assistive technology. The economic benefits would include a reduction in the need for (expensive and long-term) personal care and an increase in the ability of people with disability to participate in education and work, but the social benefits of creating more inclusive communities would be even greater.

¹ More information can be found at <http://www.socialventures.com.au/sva-quarterly/new-model-financing-affordable-housing/>

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Building the evidence about measuring outcomes

Social impact investing requires a measurement of outcomes. Unfortunately, this is an area that is still under-developed.

The disability sector currently lacks a nationally co-ordinated approach to generating and mobilising knowledge about what disability supports works for whom, under what circumstances, and at what cost. This is an impediment to using social impact investing, but it is not insurmountable. There is strong interest in measuring outcomes but current disability research funding is inadequate and research is poorly coordinated. There would be enormous value in establishing a national disability research entity. Without a robust understanding of how the impact of social investing can be measured, progress on its introduction will be curtailed.

Creating a national disability research entity

NDS urges Government to provide funding to support the establishment of a disability research structure (similar to AHURI), a new entity to drive an Australian disability research agenda and facilitate system-wide innovation.

The 2014 Audit of Australian disability research found that the current disability research agenda lacks critical mass, is poorly co-ordinated and is disconnected from sustainable funding. Similarly, Existing funding mechanisms for disability research such as the National Health and Medical Research Council (NHMRC) and the Australian Research Council (ARC) have not assigned disability research a high priority and are under pressure from a wide range of research demands.

NDS has support from a range of stakeholders for the establishment of a new entity to drive an Australian disability research agenda. A collaborative research structure similar to the successful Australian Housing and Urban Research Institute (AHURI) is proposed. The objectives of such an entity would be:

- efficient co-ordination of disability research activities, expertise and spending, including better connection between existing funded projects from various sources (ARC, NHMRC, CRC programs)
- build knowledge of outcomes from interventions or supports
- build capacity and capability of research end-users
- facilitate system-wide innovation

It would aim to: co-ordinate programs of research that stimulate service innovation and build knowledge; disseminate and promote knowledge of best practice and effective support; connect researchers to industry and consumers as end-users of research; and build the capacity of people with disability to engage with research.

The establishment of a national disability research entity would require a partnership approach and funding contribution from government. It would help provide the evidence on how we can better support people with disability live ordinary lives, including the identification of how support costs can be reduced into the future.

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Contact: Dr Ken Baker
Chief Executive
National Disability Services
Ph: 02 6283 3203
Mob: 0409 606 240
ken.baker@nds.org.au

National Disability Services is the peak industry body for non-government disability services. It represents service providers across Australia in their work to deliver high-quality supports and life opportunities for people with disability. Its Australia-wide membership includes over 1100 non-government organisations which support people with all forms of disability. Its members collectively provide the full range of disability services—from accommodation support, respite and therapy to community access and employment. NDS provides information and networking opportunities to its members and policy advice to State, Territory and Federal governments.