



Australian Government

Prime Minister's Community Business Partnership

The Hon Scott Morrison MP
Treasurer
Parliament House
CANBERRA ACT 2600

CC: The Hon Christian Porter MP, Minister for Social Services

Dear Treasurer

I am writing on behalf of the Prime Minister's Community Business Partnership (the Partnership).

We were all incredibly encouraged to receive your letter in relation to the discussion paper on Social Impact Investing as part of the government's reply to the Financial System Inquiry. It indicates the importance of this area and also the commitment to focusing on and growing this in Australia.

The Partnership is tasked by Government to consider the potential of innovative investment and finance models, and other structures to support a culture of giving and volunteering. As part of this work we have engaged with a broad cross section of stakeholders and experts and in particular we have had a number of roundtables with the key stakeholders in the impact investing community.

The key barriers that have been raised in those roundtables have been:

Investors/intermediaries/Private/Public Ancillary Funds (PAFs and PuAFs):

- Lack of regulatory flexibility to allow PAFs and PuAFs investment money to be used for impact investment.
- Lack of opportunities.
- Lack of skilled professional advisers.

Social Enterprises and Impact Businesses:

- Cost and complexity of creation of legal structures.
- Limited ability to raise capital.
- Limitations on the potential investors (PAFs are the natural fit as a key stakeholder).
- Capacity building.

Social Impact Bonds:

- Transparency.
- Direction around the key areas.
- Capacity Building.

Accordingly, the Partnership sees the role of the Australian Government in developing the social impact investing market in the following ways:

1. *Helping with removing barriers and initiating legislative changes that reduce cost and complexity* – e.g. by further exploring the merits of developing a hybrid legal model for social enterprises/impact businesses. Also adjusting the sophisticated investor test and

Community Business Partnership Secretariat
PO Box 7576 Canberra Business Centre ACT 2610
email: partnerships@dss.gov.au www.communitybusinesspartnership.gov.au

providing more guidance to help PAFs and PuAFs get greater comfort about impact investing parameters.

2. *Taking a leadership role around SIBs and looking for Australian Government opportunities where this supports existing State Government programs and where such opportunities align with the Australian Government portfolio priorities.*
3. *Considering the wider possibilities of PRIs and impact investing through PAFs/PuAFs/Superannuation funds.*
4. *Working with specific intermediaries to help build capacity and investment opportunities – like SVA, SEFA, Social Traders and the Impact Investment & Contract Readiness fund or facilitating capacity building activities. Also using the Australian Government procurement process to increase opportunities for smaller impact businesses in accordance with the Global Sustainable Development Goals.*
5. *Data sharing - Coordinate and/or support initiatives to develop and make available data and evidence that support social impact investing, for example, data repositories. Also providing support and development of capabilities in outcomes measurement, evaluation, benefit cost analysis, data analysis and modelling.*

Yours sincerely



Angela Perry
Convenor – *Social Impact Investments and Partnerships*

27 February 2017

Social Impact Investing Discussion Paper – submission by the Prime Minister's Community Business Partnership (the Partnership)

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| <p>Overview of Social Impact Investing</p> | <p>1. What do you see as the main barriers to the growth of the social impact investing market in Australia? How do these barriers differ from the perspective of investors, service providers and intermediaries?</p> | <p>The Partnership is tasked by Government to consider the potential of innovative investment and finance models, and other structures to support a culture of giving and volunteering. As part of this work we have engaged with a broad cross section of stakeholders and experts and in particular we have had a number of roundtables with key stakeholders in the impact investing community.</p> <p>Unpublished <i>Giving Australia research</i> (to be released in April 2017) shows that impact investing remains on the fringes of the social investment strategies of philanthropic institutions and of high net worth individual philanthropists.</p> <p>At these roundtables the following key barriers have emerged in relation to relevant stakeholder groups:</p> <p>Investors/intermediaries/PAFs and PuAFs:</p> <ul style="list-style-type: none"> • <i>Lack of regulatory flexibility</i> to allow PAFs and PuAFs investment money to be used for impact investment i.e. <ul style="list-style-type: none"> ➢ perceived restrictions around investment options (impact investment is only possible where the returns received are comparable to the market returns and there are currently few options that meet this criteria), and ➢ lack of flexibility in the rules to allow for impact investment to count towards the distribution amount, e.g. a lower loan interest rate (now fixed) or a start-up impact investment that helps test or build capacity or solve an issue, situations where the loan or investment is not repaid to allow this to count towards the minimum distribution level. Existing groups such as Impact Investing Australia or Philanthropy Australia should be equipped / mandated to fill the intermediary gap rather than creating new entities. • <i>Lack of opportunities</i> - Most larger PAFs and PuAFs have some kind of impact investing benchmark e.g. 10% of their investment funds should be used for impact investing. However, there is a lack of options available and it takes a lot of time and due diligence to work through whether an opportunity is valid. Especially, if there are perceived requirements about ensuring that the impact investment returns are equal to market returns. • <i>Lack of skilled professional advisers</i> - <i>Giving Australia 2016 (unpublished)</i> identified a need for more skilled professional advisers who are knowledgeable in the area of impact investing: 'mostly advisers at the moment are saying...,"We've heard about impact investing but aren't fluent or confident enough to talk about it"'. <p>Social Enterprises and Impact Businesses:</p> <ul style="list-style-type: none"> • <i>Cost and complexity of creation of legal structures</i> - Most impact businesses struggle with the legal structures that will work for their strategy now and into the future. What form should they use, do they need a trust? This can be a costly and expensive process. That is, it can be done within the existing legislative framework but is sub-optimal. It also favours those businesses that have connections and are able to finance this advice and structure. It would be helpful to have a standard legal structure that works for all impact investment vehicles and templates and products so it is cost effective for people to innovate and start impact businesses. There were parallels with PAFs and PuAFs and fair shares, the draft templates were created for PAFs when they first came into operation. Several legal firms have indicated they would be prepared to help pro bono with the drafting of legal documents for this purpose. • <i>Limited ability to raise capital</i> - Currently most Not for Profits (NFP) and impact business (in the start-up phase) cannot raise equity capital easily (with some exceptions i.e. cooperatives and companies limited by shares, both are rare) or without navigating convoluted expensive legal mechanisms. This is a particularly strong barrier for smaller start-ups and NFPs see <i>the case study of Chuffed from the Hybrid Legal Models roundtable</i> (Appendix B). • <i>Limitations on the potential investors (PAFs are the natural fit as a key stakeholder)</i> - The social impact investment from philanthropic sources is also considered to be an untapped source of capital. However, the market is yet to develop with the key barrier to this identified as the governing fiduciary duty for financial entities including superannuation funds, charitable trusts and foundations, which require trustees to assess potential start-up impact businesses against larger listed businesses with a track record and determine if the results will be comparable. |

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| | Q1 Continued | <p>Social Enterprises and Impact Businesses (continued):</p> <ul style="list-style-type: none"> • <i>Capacity Building</i> - There are a number of innovations that are happening in the sector but the process to take an idea to a formal business plan and an Information Memorandum to engage investors is a lengthy one, requiring a skill set that some of the innovators may not have. The cost of engaging an external party is often outside the budget of the people with the idea. There are couple of models that currently exist that could be supported: <ul style="list-style-type: none"> ○ Impact Investing Australia has created an impact investment readiness fund using philanthropic money to help impact businesses prepare information for formal investment, ○ Social Ventures Australia (SVA) has provided help to social enterprises through advice and mentoring, especially around business plans and financial modelling, and ○ Social Enterprise Finance Australia (SEFA) and SVA give considerable advice and assistance (outside of financial help) to businesses they invest in. <p>Social Impact Bonds:</p> <ul style="list-style-type: none"> • <i>Transparency</i> – the NFP sector is increasingly aware and keen to consider SIBs. Greater transparency would definitely assist the NFP sector to find opportunities. The key barriers to innovation in this area are lack of information about: <ul style="list-style-type: none"> ○ how to create a SIB ○ how they are measured ○ how the return is calculated ○ what the key criteria are, and ○ how do charities implement and measure these effectively? • <i>Direction around the key areas</i> – It would also be incredibly helpful if Government were able to indicate the key areas it is looking for opportunities for SIBs, i.e. those areas where the data would be sufficient and there is interest. Some clear statement around this would definitely help focus discussion around SIBs and reduce the resources spent by other stakeholders attempting to identify priority areas in isolation. - <i>Capacity Building</i> - Our experience with research and stakeholder views is that only a small percentage of NFP sector is currently equipped to take part in a SIB or other mechanism. Stimulating the social impact market by supporting SIBs or other mechanisms is unlikely to be effective if infrastructure is not in place. <ul style="list-style-type: none"> ○ NSW are addressing this through establishing the Expert Advice Exchange (EAX) which connects eligible social sector organisations in NSW with pro bono expert advice from leading law firms, professional services firms, and financial institutions. ○ Queensland's Social Benefits Bonds Pilot Readiness Fund has been established to support eligible service providers to purchase external professional advisory services to assist with their participation in the Social Benefit Bonds Pilot Program. A total of \$1 million is available through the Fund. ○ The South Australian Government selected SVA to deliver a series of training workshops to build capacity amongst service providers and government staff. These workshops were held over July and August 2014. ○ What is lacking is a national resource that could support NFPs to navigate some of this complex territory. E.g. Justice Connect plays this role to an extent (limited by their current funding and capacity). |

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| | <p>2. What do you see as the future for social impact investing in Australia: for example, can you foresee the development of new structures for social impact investing?</p> | <p>The Commonwealth should explore if its commissioning of social services could be used to promote innovative financing partnerships building on the experience of social impact bonds in Australia and overseas.</p> <p>The Partnership sees impact investment as an opportunity to attract new resources and expertise that can address disadvantage and strengthen communities, to reduce reliance on government.</p> <p>The philosophy of impact investing reinforces the need for accountability to outcomes and the use of evidence to underpin decision-making. From a cost effectiveness perspective and of course the desire to ensure funds reach those who are most vulnerable, it is critical governments and funders (where philanthropic, individual, corporate or NFP) are able to support service providers and communities wanting to work in more innovative ways (refer to responses in question 1).</p> <p>In the NFP sector there is a growing focus on sustainability and innovation around SIBs and impact businesses that complement what they do, like the example of STREAT in the discussion paper. The NFP sector is already starting to think about this. The key role the Australian Government can play is:</p> <ul style="list-style-type: none"> • brokering SIB opportunities • supplementing the State SIB e.g. adding an employment return to the Aspire SIB or SIBs that spring from that, and • creating a new legal model that is simple and cost effective to implement. <p>Internationally new legal forms such as Community Interest Companies (CICs) and Low profit Limited Liability Companies (L3Cs) have emerged to meet the needs of NFPs that seek to source equity capital. Australia needs to consider a new and appropriate model that allows for greater flexibility and simplicity but that fits the current systems and does not allow for unintended consequences such as giving a competitive advantage to one group.</p> <p>The traditional for profit businesses are becoming more aware of the importance of having impact in the communities in which they operate. Over time the traditional volunteering model will develop into more than the one day per year paid volunteering that currently exists to a model that helps build the capacities of charities.</p> <p>The next generation of entrepreneurs and their impact businesses will have at their core some element of giving back – e.g. Atlassian and its founders model of giving 1% of time, treasure and talent. This in turn will shape the innovation in the more mature businesses.</p> <p>Superannuation funds are looking more for ethical and impact focussed products. Provided that the size and scale of impact investing increases there will be a growing ability for impact businesses to form part of their portfolio.</p> <p>PAFs are now more likely to have some element of impact investing as part of the overall investment strategy and this will grow as the sector matures.</p> |
| | <p>3. Are there any Australian Government legislative or regulatory barriers constraining the growth of the social impact investing market?</p> | <p>The discussion paper has been prepared with a very comprehensive review and consideration of core issues, so most of the questions raised deal with those barriers.</p> <p>The key legislative and regulatory barriers are the lack of a distinct legal model (see our answer to question 28) and the further PAF changes that are highlighted in our reply.</p> |
| <p>Role of Australian Gov in SII</p> | <p>4. What do you see as the role of the Australian Government in developing the social impact investing market?</p> | <ol style="list-style-type: none"> 1. Helping with removing barriers and initiating legislative changes that reduce cost and complexity – e.g. by further exploring the merits of developing a hybrid legal model for social enterprises/impact businesses. Many overseas jurisdictions have introduced legal structures for social enterprises / profit-for-purpose organisations / impact businesses. Also adjusting the sophisticated investor test and providing more guidance to help PAFs and PuAFs get greater comfort about impact investing parameters. 2. Taking a leadership role around SIBs and looking for Australian Government opportunities. 3. Considering the wider possibilities of PRIs and impact investing through PAFs/PuAFs/Superannuation funds. 4. Working with specific intermediaries to help build capacity and investment opportunities – like SVA, SEFA, Philanthropy Australia, Social Traders and the Impact Investment & Contract Readiness fund or facilitating capacity building |

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| | | <p>activities. Also using the Australian Government procurement process to increase opportunities for smaller impact businesses which is in line with the United Nations Sustainable Development Goals call to action.</p> <p>5. Data sharing - Coordinate and/or support initiatives to develop and make available data and evidence that support social impact investing, for example, data repositories. Also providing support and development of capabilities in outcomes measurement, evaluation, benefit cost analysis, data analysis and modelling.</p> <p>All organisations have difficulty keeping digital data secure. Not-for-profit organisations funded to deliver services on behalf of governments tend to be smaller and less resourced so they are less likely to be well equipped to deal with cyber security. A key take-away message for government is that technology is often far ahead of policy thinking, making it challenging to integrate the use of digital data platforms into program design. NFPs will need leadership support and advice on the life cycle of their digital record keeping practices, if we are to realise the full potential of data sharing.</p> |
| | <p>5. Do you see different roles for different levels of government in the Australian social impact investing market? For example, the Australian Government as co-funder with State and Territory Governments continuing to take the lead in developing social impact investments?</p> | <p>Yes. The Commonwealth Government should take a leadership role in collaboration with States and Territories including through the 'Intergovernmental Taskforce on Impact Investment' - see action 6 of the NSW Government Social Impact and Investment Policy.</p> <p>The Commonwealth Government's leadership role includes promoting the importance of social impact investing and SIBs; this discussion paper is a very effective starting point. It could also include ensuring that any Government procurement criteria include some element of assessment around the community impact of the business. This would definitely assist start-up impact businesses to prove their model or scale their model and could have significant implications. Additionally, it could ensure that governments across Australia have a coordinated approach, where appropriate, to impact investment opportunities. For example, many more social impact bonds will be possible if Commonwealth and State Governments collaborate, recognising that both benefit from the expenditure savings that result from the better social outcomes achieved.</p> |
| | <p>6. Are there areas where funding through a social investment framework may generate more effective and efficient policy outcomes than direct grant funding?</p> | <p>There are some areas that will always need grant funding but there are some areas where social impact investment or community implementation could be more effective.</p> <p>However, two key areas have emerged where some innovation and potential possibilities could arise (although it would not be at the expense of all traditional grant funding). In the area of employment it makes sense that the Australian Government consider SIB possibilities in conjunction with State SIBs or considers investing a defined amount in impact businesses. (See question 7 for more detail).</p> <p>In the indigenous space there could be some potential areas where communities have some self-determination about the use of funds or some funds are used to help develop impact businesses, e.g., Akeyulerre, http://www.akeyulerre.org.au/social-enterprise/.</p> |
| <p>Potential areas of opportunity for the Australian Government</p> | <p>7. What Australian Government policy or service delivery areas hold the most potential for social impact investing? Are there any specific opportunities you are aware of?</p> | <p>In the EY report published 23 March 2016 there was discussion of SII funds. These provide a pooled investment structure by which government and private investors can combine their funds to jointly finance a range of social enterprise funds and organisations. Positive short term results are evident in relation to areas where there is significant unmet need such as affordable housing, provision of home and community care and early childhood education and care. There is little information on the longer term impacts of fund investments. A key achievement of SII funds has been in capability development in the social enterprise sector. Ideally this would leverage an existing structure like the Impact Investing Australia impact investment readiness fund. This could have a specific segment of the fund assisting ideas creation around the target areas below which has backing from the private sector as well as Government funding.</p> <p>EY identified and discussed a number of government priority areas where an SII approach may be a valuable tool for governments that are:</p> <ul style="list-style-type: none"> • early education and childcare • employment, further education and training • affordable housing • financial inclusion • aged care • health, and • disability services |

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| | | <p>There is also an opportunity for capacity building and innovation through the procurement process. The current indigenous procurement policy is viewed very favourably and by creating a focus on impact businesses in the procurement process this will help with growth of the sector. Note also the Employment Parity Initiative. https://www.dpmc.gov.au/indigenous-affairs/employment/employment-parity-initiative.</p> <p>The current opportunities we are aware of are:</p> <p>1. Aspire – is a new SIB that has been launched in South Australia which looks to reduce homelessness through stable accommodation, job readiness training, pathways to employment and life skills development. Importantly, they also have the long term support of a dedicated 'Navigator' to help them connect with wider support services and identify and achieve their aspirations. It would be a great initiative if the Australian Government were to seek to support this SIB in some way and to work with all of the States and Territories to replicate this nationally if the pilot is successful.</p> <p>2. Mother Hood – This is in its infancy but works on the concept that 40% of employers say a lack of skills is the main reason for entry level vacancies. The focus for Silicon Alley 'The Mother Hood' TM will assist young mothers, 16-25 years, with job skills and helping them become new potential entrepreneurs or employees, with new 'business-accredited' capabilities for new economy jobs, whilst receiving paid work. It is essentially a 'work-based educational accelerator' model designed to teach and support individual's business relevant (new economy) skills in a working business environment, with a core focus on Entrepreneurship. This model can act as a potential positive circuit breaker for intergenerational challenge. It is innovative, has potential for impact investing and a SIB model.</p> <p>3. Vollie – The key issue for charities is capacity building in certain areas like e.g. digital marketing, social media etc. where funding may not be readily available or the need for a particular role might be difficult to justify. For students it is difficult to find full time employment straight from university without relevant experience. Using a platform like Vollie to match charities with volunteers or interns through universities could assist both of these problems, help bridge the gap between charities and millennials, create future donors for the charities and potentially lead to paid employment with the charity. Likewise this could be incredibly effective for older or retired skilled workers, who still want to participate or give back. The opportunity for Government and participating universities is to champion this, with a launch event during National Volunteer Week (mid-May) and GiveNow Week (end of November). It is a low or no cost innovative solution that could have a significant impact on employment and capacity building and potentially could be tracked and evaluated for success.</p> <p>4. SisterWorks – SisterWorks is creating a new impact business to sit alongside its charity with the key aim to help refugee women gain employment and break the low income cycle, help with connections and reduce domestic violence by training them and helping them to become entrepreneurs. The impact businesses will provide a retail outlet for their product, advice and training about what the market wants as well as a home catering and cooking school. Initiatives like this could be explored for potential SIBs or the evaluation processes supported to work towards a SIB. So far they helped and created 88 female entrepreneurs. As a suggestion it would be useful to have some avenue where potential impact businesses as offshoots of charities can be supported to see if SIB can be part of the impact proposal such as the new NAB Discovery Grant process.</p> <p>5. Children Leaving State Care in Western Australia - At the initiation of the Hon Mike Board, Chair Ministerial Advisory Council on Child Protection and Emma White, Director General WA Department for Child Protection and Family Support, a group of WA based stakeholders, including Minderoo, have come together to develop a Social Impact Bond (SIB) for the target cohort of children who leave State Care at the age of 18. At May 2016, there were 4,632 children who were under the care and protection of the Western Australian Government. Unfortunately, young people who leave the care of the Department at the age of 18 typically have much poorer life outcomes across a range of indicators, including unemployment, homelessness, health issues, contact with the criminal justice system and incarceration rates. Providing holistic, intensive and flexible support to these children as they transition out of care and beyond is often the difference in these children leading positive and productive lives. The Hon Mike Board has led the development of a SIB proposal with the aim of supporting this cohort into stable housing, training and employment after they exit care. A confidential proposal was submitted for consideration by the Minister for Child Protection and Treasurer late in 2016. Due to a state election and caretaker mode, a further update on the proposal is pending.</p> |
| | <p>8. Are there opportunities for the Australian Government to collaborate with State and Territory Governments to develop or support joint social</p> | <p>The Partnership tabled a proposal in November 2015 to incentivise State and Territory government-led social impact bonds where the Commonwealth can be shown to reap a share of the measurable savings. Please see a copy of the proposal attached at Appendix A.</p> |

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| | <p>impact investments?</p> <p>9. What are the biggest challenges for implementing the Australian Government's public data policy in the social impact investing market? What can do the Australian Government do to address these challenges?</p> | <p>The key challenges as stated in the paper are how to manage the data sharing effectively across State and Federal levels and also allowing external service providers access to the data without data privacy issues.</p> <p>We would endorse the EY recommendations around access to data and evidence and building capabilities:</p> <ul style="list-style-type: none"> • Coordinate and/or support initiatives to develop and make available data and evidence that support social impact investing; for example, data repositories, and • Support development of capabilities in outcomes measurement, evaluation, benefit cost analysis, data analysis and modelling. <p>We would also suggest the Australian Government does its own analysis of the key areas where it is possible to measure social impact based on the current data and information it holds across different Departments and assess a number of key areas where SIBs could work.</p> <p>The ideal solution is a Hub that draws data in from different systems through a real time feed (API) to allow information to be collated in a way that protects the privacy of an individual. There are certain examples of how this is happening in the commercial world e.g. HubHello. Presumably these platforms could also be used for SIBs.</p> |
| | <p>10. Are there opportunities for the Australian Government to form data sharing partnerships with State and Territory Governments, intermediaries and/or service providers?</p> | <p>Yes. The importance of data sharing and linkage cannot be over emphasised. These include building on the Investment Approach and the Data Exchange (DEX) to contribute to measurement of social impact investing outcomes.</p> <p>An external technology provider like HubHello to the data warehouse for the encrypted data is another option. It would ideally be through a direct feed to the relevant system or data collection point. This model is used already by many technology providers and so should have some foundations and technology that can be leveraged from the private sector space.</p> |
| | <p>11. We are seeking your feedback on the four proposed Principles for social impact investing.</p> <ol style="list-style-type: none"> 1) Value for money 2) Robust outcomes-based measurement and evaluation 3) Fair sharing of risk and return 4) A deliverable and relevant social outcomes | <p>The proposed principles are incredibly sound. It is imperative that any social impact investment has defined outcomes that are measured and are transparent. Principle 3 is more relevant for Social Impact Bonds rather than private investment where this factor can be less relevant (some impact investors believe that the lower return is acceptable provided the outcome is achieved).</p> <p>Principle 4 should include the following "designed with the communities and stakeholders who will implement them."</p> <p>There is potentially one principle missing which is sustainability and scale. It is important that impact businesses can compete in the profitable sector, are sustainable and can scale so that the impact they make can increase over time. EY research shows that social enterprises are sustainable and can become valuable employers over time.</p> |
| <p>Reducing regulatory barriers</p> | <p>12. Are there any issues other than those identified relating to control that would suggest the options presented will not be sufficient to solve the problem?</p> | <p>Addressing the concept of the sophisticated investor will open up many more impact investment products to smaller PAFs. All PAFs that have at least one director who is a 'sophisticated investor' will be eligible to invest in wholesale products. This opens up many impact investment opportunities that are not available to retail investors. For example, to date only wholesale investors have been able to invest in: Social Impact Bonds (Newpin and Benevolent Society), intermediary funds (SEFA, Foresters and SVA), and impact investments arranged by Impact Investment Group and Benefit Capital.</p> <p>The current recommendation is that a director of the trustee is both the largest financial donor to the PAF and satisfies the sophisticated investor test or a majority of the directors of the trustee themselves satisfy the sophisticated investor test. In most PAFs there is one independent director (who is not the key donor) and the key donor and family members. Most PAFs are set up to have a legacy donation path where the PAF is handed over to the surviving family or progressively the parent passes the philanthropic intentions on. The only issue could be for this second generation trustee who may not be the largest financial donor. In this case it is reliant on the other trustees meeting the test which may be dependent on the makeup of the trustee group.</p> |
| | <p>13. Are there examples of recent situations where a PAF has considered that it is sufficiently controlled, or not sufficiently controlled, that fall outside these situations?</p> | <p>None that we are aware other than the above scenario.</p> |

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| | 14. Do the options canvassed provide sufficient certainty around when a PAF is controlled by a sophisticated investor? Are there better options that are not discussed? | PAFs that have at least one director who is classified as a 'wholesale client' (with net assets of \$2.5m or gross income for the past two financial years has been at least \$250,000 a year) qualify for the test. |
| | 15. How could these options be best incorporated within the appropriate legislation? | Amend the relevant sections of the Corporation Act 2001, for example section 761G to include PAFs that have at least one director who is classified as a 'wholesale client' (with net assets of \$2.5m or gross income for the past two financial years has been at least \$250,000 a year) to be defined as not being a retail investor. |
| | 16. Is a written statement from the board of directors of the PAF sufficient evidence of the status of the trust as a sophisticated investor, or should a letter from an independent third-party be required? | Classification of Ancillary Funds as Wholesale Investors: Amend the Corporations Act 2001 to deem Private Ancillary Funds to be wholesale investors where one or more of the directors of their trustees meets this test in their own right. |
| | 17. What qualifications should the independent third-party person be required to hold? | Currently the discussion paper requires it to be an independent and qualified accountant or as alternative a Board letter signed by the Trustees. All PAFs would have some form of accountancy requirements and would need to complete accounts annually so the current requirements would be simple and cost effective for a PAF to meet. |
| | 18. Is it common for a natural person involved with a PAF to meet the professional investor test, but not the sophisticated investor test, or visa-versa? | From our experience the key issue that has been raised in our roundtables has been the sophisticated investor test as this is the most common issue. |
| | 19. Does this lack of control provision restrict PAFs established by professional investors from investing in impact investment products? | Where the PAF satisfies one of the two tests it ensures that it is considered a wholesale investor and therefore can participate in impact investment products. The issue has primarily been where a PAF does not fall within either test (sophisticated investor being the primary that would be relied on) they cannot participate in an impact investment product (because all impact investment products make offers under an Information Memorandum to wholesale investors only to ensure that the prospectus and disclosure regime is not applicable). |
| | 20. Are there any similar issues about the application of the sophisticated investor test and/or professional investor test for investment by PAFs in financial products other than securities that are structured as impact investment products? | This is correct because most investment products outside of the listed or Initial Public Offering (IPO) environment largely rely on IMs (Investment Memorandums) and wholesale investors which means a PAF must meet one of the two tests. Please note if there was a change to the prospectus filing rules for crowd sourced equity funding this would also have an impact on the PAFs investment issues. |
| | 21. If the Government were to amend any of these definitions to provide clarity for PAFs, would there be any consequences for other activities regulated by the Corporations Act, or other Commonwealth legislation? | Not that we are aware of. |
| | 22. Are there relevant parts of the Corporations law, or other Commonwealth legislation and guidelines, which represent a barrier to PAFs investing in impact investment products? | <p>(Partnership submission on Exposure Draft of the PAF/PuAF Guidelines recommended clarity for PAFs undertaking social impact investing) Clarity for PAFs undertaking impact investment.</p> <p>Classification of Private Ancillary Funds as Wholesale Investors In order to implement this change, the Australian Government needs to amend the relevant sections of the Corporation Act 2001, for example section 761G to include PAFs that have at least one director who is classified as a 'wholesale client' (with net assets of \$2.5m or gross income for the past two financial years has been at least \$250,000 a year) to be defined as not being a retail investor.</p> <p>Or the addition of either of the following: The addition of a new sub-section in s708(8) of the Corporations Act, or the inclusion of a legislative note which clarifies the meaning of 'control' as it applies to a PAF under s708(8)(d); or</p> <p><input type="checkbox"/> The addition of a new section in s50AA of the Corporations Act, which defines control as it applies to a PAF, given this is where control is defined for the purposes of the Act.</p> <p>Legislative change needed - Private Ancillary Fund and Public Ancillary Fund Amendment Guidelines 2016 (Schedule 1) Section 11 includes example of PAF investment in a social impact bond, PAF lending money to DGR and PAF acting as guarantor for a loan to a DGR.</p> |

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| Superannuation and social investment | 23. What guidance in particular would provide a desired level of clarity on the fiduciary duty of superannuation trustees on impact investing? | This sits in the ambit of APRA to provide guidance about when a superannuation fund can consider impact as well as financial return as part of the trustees' fiduciary duties (this is rightly noted in the discussion paper). |
| Program Related Investments | 24. To what extent are the current arrangements for program related investments appropriate? Should changes be made to: 24.1 recognise the total loan, rather than only the discount rate between a commercial rate and the concessional loan rate, for the purposes of meeting the ancillary's funds minimum annual distribution; and 24.2 allow ancillary funds to make program related investments to non-DGR organisations? | <p>It is really helpful to distinguish between areas of social impact investing that are mature and those that are emerging. The reply in relation to Treasury re PAF/PuAF guideline changes point 24.1 is more mature investment. PAFs and PuAFs are becoming more innovative and sophisticated in their responses to the needs of charities, especially around capacity building, or creating add on vehicles that help sustainability. The use of the loan has been a good vehicle to foster this, as it allows loans with lower interest rates that are counted towards the PAFs/ PuAF distribution (i.e. the difference between the market interest rate and the rate given counts towards the distribution amount). One element that would help with greater innovation would be if any loan that is not repaid could also count towards distribution amount, if that occurs.</p> <p>SIBS are still emerging, there have been a few successful ones but they tend to have a long development period and there needs to be Government drive to create them. One of the key principles that the Australian Government is canvassing is a fair risk and return for all parties. Most SIBs have some element of risk as well as return which traditionally has been reduced by some Government funds. This becomes less necessary for PAFs and PuAFs if the investment amount that is not returned can count as a grant for the 5% distribution minimum (noting that this does not help non-philanthropic money and could impact the pool of money that can be generated). For example in the Aspire SIB the maximum loss for investors is 50% of the investment.</p> <p>There is a current lack of opportunities in the social impact space and this is partly because of the lack of capital and where it can be raised from. Impact businesses would naturally go to philanthropic communities, especially where the purpose of the PAF/PuAF is aligned to the impact business. It is possible for PAF/PuAF to invest in non DGRs currently provided the returns are comparative to the market. However, most start-ups whether they are impact businesses or not have a greater risk in the first two years of operation. So PAF/PuAFs are usually more reluctant to invest in them because of their overarching duty to deliver the distribution and grow the pool of funds, to meet the annual minimum distribution amount. Where PRIs could be incredibly important is around this area. Allowing PAF/PuAFs to count the investment in a social impact business, if it does not provide a return, towards the annual minimum distribution amount (provided of course there are certain caps per annum - like the concept of the angel investor provision in the Innovation Agenda - and where it is alignment with their purpose). Having a distinct legal model with a defined purpose and mission will help ensure that this is not misused.</p> |
| | 25. What is the level of demand from both DGR and non-DGR organisations who could be recipients of program related investments? | There is a growing desire for more opportunities to deliver value, sustainability and to look for that outside of the more traditional grant funding mechanisms. To some extent the real demand won't be known fully until this is tested, potentially with DGRs being the first step, e.g. allowing non-repaid loans to count towards the minimum distribution amount. |
| | 26. What are the costs of administration for organisations receiving program related investments compared with receiving irrevocable donations? | In fairness both need some level of administration, reporting, evaluation. SIBS are the most onerous but are also likely to impact the way the charity operates in a positive way, e.g. the Newpin example. Loans from PAF/PuAFs are probably less onerous than loans from other external sources (as they are patient capital). |
| | 27. Given the recent changes to the ancillary fund guidelines regarding program related investments, and noting the issues associated with making further changes, are there alternative mechanisms for promoting program related investments outside of ancillary funds? | <p>There are three opportunities, firstly clear guidance from the Australian Charities and Not-for-profits Commission (ACNC) for example about the parameters of what is the duty of trustees around investments, specifically impact investments and whether the purpose or outcomes can count are part of the evaluation process.</p> <p>Additionally it would be helpful if there were some specific angel investment provision for impact businesses or clarity about how it sits in the current provisions (the requirements for investing into a business direct rather than through a fund mechanism are quite involved and it would be good if guidance could be created for early stage and innovative impact investments).</p> <p>It would also be beneficial for the Australian Taxation Office to provide guidance on the use of different PRIs, covering concessional loans under the existing and enhanced PRI framework which is proposed, as well as loan guarantees.</p> |
| Legal structures for Social enterprises | 28. Have you faced a legal impediment as a director of a social enterprise from making a decision in accordance with the mission of the enterprise, rather than maximising financial returns, that only a change in the legal structure could resolve? If | The issue - At common law, directors of Australian companies are obliged to 'act in the interests of the company as a whole'. The phrase 'the company as a whole' has been interpreted to mean the financial well-being of the shareholders as a general body, with directors also being obliged to consider the financial interests of creditors when the company is insolvent or near-insolvent. There is currently no case law or corporations legislation in Australia that imposes an obligation on directors to consider the interests of wider stakeholders when making decisions for the company. Although directors can choose to take non-shareholder stakeholder interests |

| | Consultation questions | Indicative comments |
|--|--|--|
| | <p>so, what amendment to Commonwealth legislation, regulation or ASIC guidance would you consider is needed to address this problem?</p> | <p>into account, directors face considerable legal uncertainty as to whether they are properly discharging their statutory and fiduciary duties should they choose to favour non shareholder stakeholder interests. This is of particular interest for companies (and directors) who want to stay mission focussed in change of ownership, capital raising and corporate succession situations.</p> <p>The discussion paper touched on this at the time of takeover but the lack of clarity around this issue is a real inhibitor for directors to take into account other stakeholders even when it is part of their Constitution. Silver Chef and Australian Ethical shared this insight in the roundtables.</p> <p>The ASIC guidance is insufficient to solve this issue. When this was discussed the key issue with guidance is that it can change over time and directors are likely for that reason to take a conservative approach with the guidance.</p> <p>The discussion paper is rightly focused on a number of key focuses including fostering innovation in funding social service delivery, reducing costs, reducing regulatory barriers and complexity and empowering communities to create their own effective outcomes. One of the key barriers to the growth of the impact investing sector outside of the PAF reform and capacity building is the ease with which people can identify impact businesses and the ability for impact businesses to start-up (i.e. create the right legal structure). A significant commitment to the social impact investment sector would be creating a new legal structure.</p> <p>The discussion paper rightly acknowledges that there are some legal workarounds that can be used by social enterprise and impact businesses. However, these are sub-optimal and are costly which in effect limits the number of impact businesses that can be created (it is too costly or challenging for those that cannot afford the legal advice or ongoing costs), inhibits the potential innovation and flow on savings to the Government spend and creates complex structures that are hard to undertake and unwind if the solution is wrong. The discussion paper noted that trusts can be used for asset locks for example, this is correct but trusts have a limited life (80 years) and have unrealised CGT issues (where there is a transfer of assets between trusts), are costly to set up (anywhere from \$5,000 - \$10,000) and have inherent annual costs associated with them (because of Financial Service Regulation compliance). The other solution that was raised is also ineffective as a tool for complete certainty, i.e. require a 100% of shareholders to change a mission lock. In any company it is possible for shareholding to change overtime and it is not impossible for the 100% owning to shift to different shareholders, with time. Where an asset e.g. a property is given the donors or impact investors want 100% certainty that it will not be used for another purpose. Hence the complex arrangement of an offshore holder of a golden share created for SEFA.</p> <p>Appendix B sets out some case studies and costs to explain this further.</p> <p>The current social impact investment sector and impact business is in its infancy (in Australia) and it has parallels to the start-up sector in Australia. To foster and grow it there needs to be some important progressive steps made. The creation of a new legal model is one of those steps which, while it has little impact from a cost perspective, it could have a very significant impact for the growth of the sector and with it employment opportunities and reduction in Government spending in key areas. This was highlighted by some of the EY research i.e. how social enterprises can provide employment and where they are successful are highly successful (this research is quoted in the discussion paper). There is also very clear sector support for it, see Appendix C for some feedback that has been received directly on this issue.</p> <p>At the Hybrid Legal Models roundtables several top tier legal firms indicated they would be happy to help structure the exact legislative changes that could create this change.</p> |
| | <p>29. Would making a model constitution for a social enterprise assist in reducing the costs for individuals intending to establish a new entity? What other standard products or other industry-led solutions would assist in reducing the costs for individuals intending to establish a social enterprise?</p> | <p>At the Hybrid Legal Models roundtable, it was agreed that simplified templates and investment in shared intellectual capital would assist with costs. In overseas jurisdictions this model has meant that these types of structures can be implemented for \$200 - \$300 (where there is a simplified and distinct legal model created like e.g. the CIC).</p> <p>It would be of great benefit to have standard templates and products like the PAFs and PuAFs and fair shares (the tax office produced a model trust deed template).</p> |

Appendix A –

Summary proposal for a Commonwealth Social Impact Bond Incentive Payment

Top-up incentives program outline

- The proposal is a Commonwealth Social Impact Bond (SIB) top-up incentive programme. It would provide incentive payments to State and Territory (S&T) SIBs where there are benefits that accrue to Commonwealth. (There are parallels to the Commonwealth's Infrastructure incentive payments.) An initial \$100m might be allocated.
- A SIB is a financing and commissioning arrangement. Private investors provide the initial (risk) capital for an intervention service. Future Government payments are linked to the successful achievement of measurable outcomes that result from these services. These future payments provide a return to investors. If the program is successful investors will get a positive return on their investment; if it is less successful they will get a lower return or lose capital.
- The Commonwealth top-up incentive payments would fit within this SIB framework, with payments made against the successful outcomes achieved in a S&T SIB. Expenditure (incentive payments) will only occur if there is a net fiscal benefit to the Commonwealth.

How might it operate?

- S&Ts apply for top-up payments as they assess SIB opportunities, with amounts reflecting the benefit flowing to Commonwealth – a target minimum of 1½ : 1 incentive payment funding to (NPV) benefit; so for every \$1 provided in top-up incentives, Commonwealth should derive a minimum of \$1.50 (NPV) fiscal benefit.
- Decisions might be undertaken in two stages:
 - I) S&Ts make initial bid for top-up payments as they assess RFPs with an indicative amount agreed;
 - II) final approval for top-up arrangements at the end of the joint development phase, with amounts and link to outcome measure agreed.
- Outcomes payments would be linked to S&T SIB metrics (the introduction of additional Commonwealth outcome measures would overly complicate development), with the SIB proponents and S&Ts required to demonstrate that successful outcomes will result in the future fiscal benefit for Commonwealth.
- Top-up incentives should be open to innovative financing approaches beyond SIBs, encouraging proposals that utilise innovative financing models and Payment-by-Results (PbR) contracting.

Benefits for Commonwealth

- Support innovation in the social sector to address entrenched social issues where current approaches and services are failing.
- Supports the broader drive towards greater efficiency and effectiveness across the social sector by focusing on: outcomes not outputs; improved data collection; measurement of effectiveness; program evaluation; clear accountability for achieving outcomes; and bringing new ideas and skills to the sector.
- Helps build an evidence base on what works and supports a continuous improvement approach to social sector funding. Successful programs are scaled; unsuccessful programs will be stopped (e.g. Rikers Island).
- SIBs help re-orientate funding towards effective early intervention programs.
- Enables Commonwealth to encourage SIBs / PbRs in Government priority areas through incentive payments. SIBs and the improved outcomes they deliver could be contributing elements in broader Commonwealth reforms, such as Federation, Cities, and Indigenous.

Key Enablers – Unit Cost Data / Lifetime Cost Data

- SIBs are philosophically aligned with the investment approach to welfare that the Commonwealth Government is already pursuing. Publishing data on the costs of particular client cohorts will enable better designed and effective SIBs and early intervention programs more generally. Significant potential for Commonwealth direct commissioned SIBs.
- More publicly available cost data across the government would be hugely beneficial. Commonwealth should publish unit cost data, as they have in the UK for example.
- Linking datasets across Commonwealth and State and Territory data would also be very helpful, e.g. health data.

There is good evidence that this is needed

- Several States and Territories have committed to new Social Impact Bonds, in addition to the two already operating in NSW: SA is under developing a homelessness SIB; NSW has committed to two new SIBs each year; Queensland has committed to undertaking SIBs.
- Many SIBs will be marginal or not feasible without Commonwealth involvement.
- The investor appetite to support SIBs is strong. HESTA have committed \$30m to a fund that will support SIBs amongst other impact investing opportunities; QBE have committed \$100m to invest in SIBs; Christian Super backed the Newpin SIB; NAB are actively driving a number of impact investing opportunities; Westpac and CBA were involved in developing the Benevolent Society SIB.

Case Study

- i. Rikers Island – a SIB that demonstrated a proposed intervention was not successful, illustrating how SIBs can promote a “test and fail fast” approach in the social sector to drive greater efficiency, as well as transfer risk to private investors.

| SIB CASE STUDY : RIKERS ISLAND | | | |
|--------------------------------|--|----------------------------|----------------------|
| SIB Name | Rikers Island | Location | New York City, US |
| Contract signed | Sep-12 | Duration | N/A - stopped early. |
| Size | \$16.8m | Max loss | 25% |
| Service Provider | Osborne Association and Friends of Island Academy | | |
| Investors | Goldman Sachs Urban Investment Group; Bloomberg underwrote 75% first loss. | | |
| Outcomes Funder | NYC Department of Corrections | | |
| Intermediary | MRDC (coordinated the bond) | | |
| Social Issue | Reducing juvenile recidivism | | |
| Target Population | Approx 10,000 detained and sentenced adolescents in custody on Rikers Island. | | |
| Intervention Funded | Adolescent Behavioural Learning Experience (ABLE) providing cognitive therapy. | | |
| Duration | During period of incarceration | | |
| Outcome Metric | Decrease in number of days incarcerated following release from Rikers | | |
| Counterfactual measure | None - comparison to target rate based on historic data - c.50% recidivism rate for juveniles on Rikers. | | |
| ECONOMICS | | | |
| Savings Per Outcome | n.a. | Payment Per Outcome | n.a. |
| Basis of savings | Avoided costs of incarceration plus broader fiscal and social benefits. | | |
| EVIDENCE TO DATE | | | |
| Status | The SIB was terminated early at the end of August 2015 as the intervention was not delivered as anticipated and did not achieve the desired results. | | |
| Key Learnings | Although the intervention was unsuccessful, the outcome demonstrated the SIB model worked well. The SIB was stopped early illustrating the benefit of a more rigorous measurement framework, enabling a "fail fast, succeed quicker" approach to social services. (Typically a service would be funded for many years before being stopped.) | | |

Appendix B – Case Studies

Just Earth, Queensland

We are setting up a Pty Ltd company (having originally formed as a company limited by guarantee, but now need to attract equity investors) with a written instruction that profits are either reinvested in the company for improving the business and ultimately contributing to its social purpose or profits are distributed to the Foundation which we are also setting up as a PBI off the Pty Ltd for furthering its social purpose through the foundation. We are doing this so we can raise a range of investment to grow the business beyond what is available in the form of grants or loans (very little and only seems to be diminishing). On the whole we are happy with this structure we've come up with, but it has been very costly (though we have been offered 50% discount pro bono).

Has the 'cost and complexity' of doing this been an inhibitor in terms of access to capital and your progress as a social enterprise?

Yes it took a long time to find the right lawyer who could work this out for us. We were quoted \$12,500 to set this up but were provided partial pro bono and are paying \$5500.

If a cheaper and simpler social enterprise legal form similar to the "community interest company" in the UK (with a built-in and regulated 'asset lock') were available, would this have been beneficial to your progress?

Yes

Chuffed – participant in Hybrid Legal Model's roundtable

- Started in a not-for-profit structure
- Philanthropy – not enough
- Need to raise equity as the most appropriate type of capital for this kind of start-up.
- Converted to for-profit but wanted to preserve the mission
- No obvious way to preserve mission so had to create own via constitution and align Director's duties with mission
- Purpose sat alongside all other stakeholder interest
- To achieve this, need unanimous shareholder vote to change constitution – so always had a veto – ensures mission lock
- Raised \$1.1 million commercial money
- Purpose very important in the model - wanted entity to stay true - not diluted after several rounds of equity raising, and
- Director's duties at change of control still would prevent the purpose being taken into account in a takeover situation.

Food Connect, Queensland

How do you see your social enterprise operating with an “asset lock”?

It would give our farmers (suppliers and stakeholders) and staff an enterprise worth supporting in full knowledge that the original principles, values and economic impacts will be protected for the long term

Have you been advised to set up a trust to protect your assets?

We have set up a Company Limited by Guarantee and changed the constitution of a subsidiary PTY LTD Company (trading entity) to do a similar thing but at a huge cost and time commitment

Has the ‘cost and complexity’ of doing this been an inhibitor in terms of access to capital and your progress as a social enterprise?

Absolutely. If we had one clear social enterprise company structure with clear ownership and investment criteria we would have been a lot easier to secure Seed Capital, Fixed Asset Capital, Working Capital and Development Capital. Our Enterprise has struggled to compete because that Capital is needed for us to build the systems that would have supported our growth much better

If a cheaper and simpler social enterprise legal form similar to the “community interest company” in the UK (with a built-in and regulated ‘asset lock’) were available, would this have been beneficial to your progress?

Absolutely, I would say that we would be five years ahead in our plans if this simple structure was available to us, easily.

Social Enterprise Finance Australia

SEFA has recently become a B Corp but this is not sufficient for our needs. I want to elaborate on why not.

SEFA became a B Corp by satisfying an accreditation process done by B Lab, an independent NFP. Being a B Corp is a public demonstration of our commitment to shared value (aka double / triple bottom line / responsible business etc.). However there is no legal obligation on SEFA to continue to operate in accordance with B Corp objectives or continue to operate in a way consistent with our accreditation. There are ad hoc audits, and every 2-years we will be re-accredited.

B Corp is a “fair trade” type badge for “for-profit” organisations that are committed to shared value principles. I am a huge fan as it is a movement that will hopefully lead to mainstream organisations better recognising and measuring their impact on, employees, their supply chain, and the wider society and the communities in which they operate. The potential is huge and its applicability is to all “for profit” organisations.

However, B Corp has its issues. For example, it does not provide any legal commitment to these values. I will move on at some point; the rest of the SEFA board will move on. Our replacements may not be so committed to shared value. In that case, we would lose our B Corp status but there would be no other consequences. So being a B Corp is useful but not enough for investors, employees, and the supply chain, that want to know that the organisation is legally committed to operate for purpose.

SEFA would have been set up as a CIC (or equivalent) because it would have been a legal structure that efficiently achieves this goal – it would lock in our mission and provides an asset lock. Our equity and debt investors (private individuals, foundations, Triodos, NSW ALC, Community Sector Banking, and Commonwealth Government) have backed us to deliver them a financial and social return. They would not have backed us if it were only for a financial return. We have put in place legal protections to give them the assurance that our mission is maintained and our assets are only used for this purpose. This is our “Golden Share”, which is currently held by Triodos Foundation (the Trustee). The Golden Share has blocking voting rights over any special resolution, e.g. a change in SEFA’s constitution (mission lock) and selling the company (asset lock).

So it is possible to achieve the mission and asset lock that CICs would offer within current Australian legal structures. However, it is complex to operate and expensive to set-up. (As an example, we are bringing the Golden Share on-shore and we will need to set up a Trust and appoint Trustees who are independent of SEFA). A CIC would be much simpler and cheaper to operate.

So SEFA is a B Corp that would still want to be a CIC. B Corps and CICs are designed for different types of organisations, although there is some overlap, e.g. SEFA. B Corps are all “for-profit” entities – this is a movement that wants to appeal to mainstream businesses. CICs are “social enterprises” that bridge the “for-profit” and “not-for-profit” spectrum; organisations that need to demonstrate to investors, employees, and their supply chain that they have a long-term commitment to operate “for purpose”; CICs operate on a more commercial footing than not-for-profits, hence they need the ability to raise equity (which a NFP cannot); however investors etc. want to know that there is a long-term commitment to mission and purpose is core to why they operate – social impact is not a by-product of how they operate but is the reason why they operate.

Personally I want to support both B Corps and CICs. I want to support B Corps so mainstream business recognises its wider impact on community. I want to support CICs in Australia so “for purpose” organisations can more easily be set-up, without having to compromise between being a “for profit” or “not for profit”.

Written by

Ben Gales

Appendix C – Support for a New Legal Model



Luke Geary Salvos Legal

Social enterprises are some of the most innovative businesses in our economy, yet they don't fit comfortably within any existing legal and regulatory frameworks. The continued lack of a specially designed legal construct with appropriate and carefully considered regulatory intervention, will curtail the ability of these new and impacting businesses to fully flourish and reach their full potential, thus depriving society of the benefit of their greatest impact. A new framework that guides and protects the purpose and assets of social enterprises is critical to ensuring that this sector continues to grow and thrive. At the same time, it would increase the confidence of current and potential investors and provide a safety net for the beneficiaries of social enterprises' great work.

Sarah Wilson, Bellambi Neighbourhood Centre

"I agree a CIC model could be of great benefit in Australia, both to add gravitas to the "brand", and to allow more flexibility to those who want to attract different forms of investment and are not scared to strive for profit."

Martin Stewart Weeks, Consultant, Public Purpose

"Completely agree about the continuing invisibility of the social innovation dimension".

Lisa Convey, Lecturer in Social Enterprise, School of Management, Business School, Queensland University of Technology

"This is a good step in the right direction for Social Enterprises".

Alex Oppes, Social Ventures Australia (SVA)

"Very much support the idea. "

Gordon Duff, General Manager, National Policy and Research, National Disability Services.

"I read this with some interest. I was involved with precursors to CICs (PICs) and worked within one as part of a consultancy that was run under an employee share ownership trust. We just need more working examples but that needs a few to take the leap and do it. Is there not a regulator in place that could expand their existing role?"

Steven Lynch, Corporate Affairs, bankmecu (now Bank Australia)

“On first read the idea of a CIC makes sense to me.”

Deborah Hoffman, National Disability Reform Manager, Life Without Barriers

“Really interested in the model and was surprised at the rapid uptake described in the UK. I have passed the article onto a colleague within LWB who is looking at Social Enterprise models .I think the NDIS would be keen to see such organisational structures develop in the market place.”

Libby Ward-Christie, Head of Investment & Advisory, Social Traders

“I am really interested in this issue and appreciate you keeping me in the loop around the work. “

Elliot Costello, CEO & Co-Founder, Ygap

“It is wonderful to read the positive work you are doing on this front. It will crave a powerful future for some major aspiring social entrepreneurs. “

Tom Nockolds – Community Power Agency

Thanks for the opportunity to give my feedback on this. These articles are informative and compelling in the way they set out the argument for introducing some form of CIC into Australia. What is the next step in the journey towards getting a new legal model up and running? Is any lobbying taking place on this subject of CICs? It seems to me that the main reason for introducing a CIC is to provide a legislated asset lock. So this makes me wonder why it should take a whole new legal model to support this. Could an asset lock (and some of the other desired features being sought) be achieved by introducing not a whole new legal model but a whole new set of rules and regulations that can be overlaid on top of all the existing legal models?”

Steve Williams, CEO, SEEDS

““A specialist legal model for social enterprise called “Community Interest Companies” or CICs is operating successfully in the UK and could change the face of Australia’s growing social enterprise sector”.

Antony McMullan, Earthworker Cooperative

“The work you are doing on the legal models working group is so important.”

Dianna Suggate, Social Enterprise Policy Officer, Ministry of Internal Affairs, New Zealand

“I will pass this on to the expert group I’ve established which is looking a strategic actions to grow social enterprise and social impact investment in NZ (for their info).”

Jonathan Bland, Social Business International, UK

“This looks really interesting. You might add to the argument that the visibility of the model attracts new people to establishing enterprises (who might not otherwise do so) so boosts entrepreneurship and economic growth within the economy.”

Tatjana Co, Program Manager, Social Enterprises Sydney

“I will read with interest and am so happy to hear there is progress.”

Suji Upasena, Manager, Multicultural Enterprises Australia

Thanks for this. I would like to see the following aspects considered if possible in creating a new structure for social enterprises:

- Some portion of surplus or profit being re-invested or donated to a similar entity to achieve the social mission
- Allowance for founders/investors to retain a portion of surplus/profit considering that they are the ones bearing the risk
- Tax concessions similar to a NFP considering that most social enterprises deliver a social good and are thereby doing the government's work for them and in the process often bear a higher cost of operations (e.g. employing people with a disability vs hiring the best person for the job).”

Dr Fiona Martin, Associate Professor, Taxation and Business Law, UNSW Business School

“It confirms our research and our own thoughts about the issues - although it means that there is a lot of work ahead to develop a new legal structure. “