Submission on Social Impact Investing Discussion Paper

UnitingCare Australia

21 February 2017

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UnitingCare Australia is the national body for social services in the Uniting Church in Australia, supporting service delivery and advocacy for children, young people, families, people with disabilities, and older people.
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UnitingCare Australia

UnitingCare Australia is the national body for the UnitingCare Network, one of the largest providers of community services in Australia. With over 1,600 sites, the network employs 40,000 staff and is supported by the work of over 30,000 volunteers. We provide services to children, young people and families, Indigenous Australians, people with disabilities, the poor and disadvantaged, people from culturally diverse backgrounds and older Australians in urban, rural and remote communities.

UnitingCare Australia works with and on behalf of the UnitingCare Network to advocate for policies and programs that will improve people’s quality of life. UnitingCare Australia is committed to speaking with and on behalf of those who are the most vulnerable and disadvantaged, for the common good.

The following submission is based on the extensive experience of our providers across Australia and in particular we have undertaken the following social impact innovations in recent years:

**Newpin**

One of the earliest social impact bonds in Australia is our Newpin Social Benefit Bond which is now in its fourth year of operation and is outperforming the counterfactual case, suggesting that social impact investing has the potential to lead to more effective and efficient outcomes than direct grant funding.

**Issues facing Aboriginal and Torres Strait Islander Australians**

UnitingCare Queensland (UCQ) has been shortlisted for Queensland’s Social Benefit Bonds Pilot Program, and is currently in joint development with the Queensland Government. UCQ proposes to build on the experience in New South Wales to establish Newpin centres in three locations across Queensland. UCQ will work with local community-controlled organisations to increase the safe reunification of Aboriginal and Torres Strait Islander children currently in out-of-home care with their families.

**Other initiatives**

We are also currently negotiating several other innovations with the NSW government around homelessness. These are all based on extensive investment in research, data collection and outcomes based management over many years. We cannot provide details at this time due to commercial confidentiality.
1 Introduction

Social impact investing is an emerging market in Australia, but increased awareness of social impact investing has attracted interest across a number of sectors.

There is currently little evidence to demonstrate long-term outcomes resulting from social impact investing, or to enable robust potential and actual impact analysis, as well as return on investment analysis. For this reason, the Australian Government has an important role to play in providing conditions under which the evidence base may be built.

The Newpin Social Benefit Bond represents the coming together of a diverse group of people united in the goal of helping some of the most vulnerable families in our community.

This was the first time in Australia this new approach to tackling some of society’s most entrenched problems was tried.

The NSW Government worked collaboratively with UnitingCare Burnside and SVA to agree a ‘payment by outcomes’ structure under which taxpayers effectively share the financial benefits flowing from the social impact of the Newpin program.

Outcome payments by their nature are received after the work has been done (and costs incurred), and may never be received at all in the worst case scenario that the intervention has no impact. Because of this, UnitingCare Burnside needed working capital to be able to deliver the Newpin program, and investor partners willing to share in the downside risk. SVA developed a structure that fairly balanced the risks and rewards to investors and UnitingCare, and was able to successfully raise the $7m required in a short period of time.

We believe that the Newpin investor group is the largest and most diverse of any SIB around the world, reflecting a high level of confidence in UnitingCare Burnside’s ability to make a lasting difference to the lives of the families they support.

Today, UnitingCare has security of funding for the Newpin program for years to come, the Government is benefitting from both a stronger society and a reduction in expenditure, and investors are receiving a social return and a financial return on their investment.

Key features

- All family restorations are independently approved by the NSW Children’s Court.
- Investor returns are based on the proportion of children participating in the Newpin program that are restored to their families.
- Minimum 5% interest first 3 years
- Principal protection 75% Yrs 1-3, 50% Yrs 4-7
• Early termination right for poor performance from Yr 3

Policy or service delivery areas that offer potential for the Australian Government must have measurable outcomes, and must be able to be linked directly to the intervention rather than environmental factors. There is, however, scope across a number of policy areas, particularly in partnership with States and Territories.

It is also important to bear in mind that social investment is merely one part of any policy or program, and that it must be combined with other measures. For example, it can be used to fund innovations which emerge out of the classic plan-implement-evaluate policy cycle, as occurred with our Newpin program. It can also be combined with community engagement and “social innovation”, such as the Justice Reinvest project in Bourke. Social impact investing is valuable because it opens up opportunities for new groups to participate, or to participate in new ways. But it is neither sufficient in itself as a response to any given problem, nor appropriate to all circumstances. Its appropriateness and impact depend, in part, on the other measures with which it is combined.

UnitingCare Australia welcomes the opportunity to comment on the Social Impact Investing Discussion Paper.

2 Role of the Australian Government

There is almost always a role for the Australian Government to play in social investment, even in areas where the States and Territories have primary responsibility for policymaking or service delivery. This is because many social impact innovations involve outcomes that manifest themselves as shifts (or ideally even reductions) in Commonwealth spending. For example, one UnitingCare organisation presently engaged in social impact investing, Uniting NSW/ACT (formerly UnitingCare Burnside), identified the following three areas of spending as extremely important for its projects: Centrelink, Medicare and education (particularly early learning).

In previous experiences of social impact investing, the Australian Government could have been of enormous assistance by contributing data and modelling on outcomes:

• Participating with the States and Territories to provide longitudinal data on expenditure, linked at the individual client level. This allows for better modelling of pathways and outcomes. NSW has conducted some modelling of lifetime expenditure on children and

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young people who have been in out-of-home care, but it only includes State-level expenditure. This lowers the returns that it is possible to demonstrate flow from any proposal, and makes it harder to get ideas off the ground.

• Facilitating a “cultivation” rather than a “deficit” approach. Most innovations currently rely on reducing downstream expenditure to deliver a return. Successful social impact investments could also manifest themselves as increased revenues through both personal income and commercial tax. The timeframes to deliver these returns are much longer, and there is less guidance on pathways to outcomes.

Specific opportunities for data sharing include collaboration in data sharing and creation of consistent client/individual tracking between the police, hospital, judicial and welfare systems. Such data sharing would enable strong baseline analysis around homelessness, and then ongoing analysis of the effectiveness of interventions. A good example of this is the ‘Combined Homelessness and Information Network’ (CHAIN) in London.

Another opportunity would be to create a suicide register across states and also between regions within states.

Access to data is important when assessing risk of performance, size of cohort, cohort attributes and trends.

The role of the Australian Government may also include:

• Proactively encouraging and enabling potential investors and service providers to meet, share ideas and discuss opportunities; for example, by holding forums, networks, conferences and round tables;

• Providing stewardship to best protect all parties, but at the same time minimising regulatory barriers; and

• Where possible, helping to standardise impact performance measurement.

3 Effective and efficient policy outcomes

The efficacy of outcome measurement is an essential element of social impact investing. It is important that measures take into account impacts on related areas of the social service system. Complex social problems are never related to a single cause. For example, minimising the number of young people entering out-of-home care must, by its very nature, have an impact on family services.

We believe that the incentive to perform is important. Appropriate results-based funding can encourage and motivate organisations to strive for the best outcomes that can be achieved.
However, equity should be considered, for instance, within the value for money principle, in order to avoid perverse, financially-driven incentives.

Intractable social problems are never due to a single cause or linked to an easy-fix solution. Identifying the causes of such issues requires nuanced analysis. Homelessness, for example, can be attributed to mental illness, unemployment and lack of adequate housing options. Return on investment could take years to materialise and will be affected by factors outside of the control of the service provider. Social impact investment should not be seen as a solution to big problems that have been created by poor governance or the complex interplay between government regulation, market forces and individual capacity. We find it encouraging that it is reiterated several times in the discussion paper that social impact investment is not a suitable financial basis for all social problems.

Social impact investing does enable organisations greater flexibility in the methods used to deliver outcomes. In addition, the process of shifting to outcomes-based funding and operations has required organisations to build capacity in a number of areas which are having flow-on benefits to other programs. This includes business modelling, data management, and implementation science.

We reiterate that social impact investing is merely one part of any policy or program, and that it must be combined with other measures, and is neither sufficient in itself as a response to any given problem, nor appropriate to all circumstances. Its appropriateness and impact depend, in part, on the other measures with which it is combined.

4 Potential opportunities for social impact investing

**Women and Employment Demonstration Project (WEDP)**

A specific social impact investing opportunity for the Australian Government is in the area of women and employment.

UnitingCare Australia has been working in partnership with the Australian Government to develop innovative and collaborative ways to support vulnerable women into the workforce. The WEDP was designed as a pilot project to identify and develop a model that would provide people, and women in particular, who might otherwise struggle to get a foothold in the job market, with a career pathway in the community and aged care services of the UnitingCare network.

The program was designed to ensure that, at its completion, participants had the skills, experience and confidence they need to deliver high quality services to the employers’ clients.

The project also included genuine employment outcomes as the overarching objective. Guaranteed jobs were offered on successful completion of the program, and the hours of
work were designed to be adequate to generate stability for the employee and meet any mutual obligation requirements required by Government.

Evaluation of the project identified clear outcomes including:
• Thirty-nine people completed training and supported workplace experience through the WEDP.
• Thirty-six people signed contracts with employers as disability support workers, home care workers or aged care personal carers at the completion of training.
• Twelve additional candidates were offered access to alternative training/work experience programs as pathways to work (the Skilling Queenslanders for Work program and the National Work Experience Program), and an additional four were invited to participate in a direct employment process (via interview), and currently one has accepted permanent work.
• Participants identified numerous other significant benefits from participating in the program, including: feeling more capable and having an increased sense of pride in themselves; increased social connection, increased self-worth and confidence; all leading to improvements in their overall mental health and happiness. They also felt the program supported them to be good role models for their children.

The pilot project relied upon existing funding mechanisms available through the jobactive system to make the program financially viable for employers, but there was a need for up-front investment by the employer in building relationships with jobactive providers, training organisations and the Department of Employment, all of whom played a vital role in the success of the program.

This program holds potential for social impact investing as the model in that it:
• Delivers clear, measurable outcomes for program participants;
• Targets a well-defined participant group;
• Includes a robust evaluation component to measure success of the project;
• Presents an innovative policy intervention focusing on early investment in people, to move them from welfare reliance to sustainable career paths;
• Supports Government policy goals through the Australian Priority Investment Approach to Welfare.

In addition, the opportunities for partnership between the Australian Government and States and Territories is extensive.

Existing social impact investing generates returns by reducing downstream expenditure. Those easiest to identify and model involve entries into facilities provided by State governments, including foster care, hospitals, prisons and social housing. Under this approach, the obvious areas for Commonwealth involvement are Medicare and Centrelink payments. There may also be opportunities to reduce expenditure in aged care facilities and disability services by improving community supports.
There is a significant opportunity for the Commonwealth to foster the development of social impact investing which result in increased revenue rather than (or as well as) reduced expenditure. These returns would be measured in terms of tax receipts. The innovations might include regional and local economic development, labour market access and similar. These kinds of initiatives would require sophisticated modelling of pathways to positive labour market outcomes, and long-time horizons.

Other issues that seem measurable and warrant investment include:

- Youth Unemployment;
- Reducing the number of young people entering into out-of-home care;
- Family preservation programs;
- Educational engagement programs;
- Youth at risk of criminal activity;
- Offender recidivism; and
- Young people leaving out-of-home care

5 Conclusion

There are pockets of very deep expertise, but that deep expertise is not widespread. Our experience in delivering SII proposals and products to the market requires disciplines not traditionally employed by community organisations. There are also still few interventions in social services which have a sufficiently robust evidence base to underpin investor returns.

This has multiple effects including increased time and complexity, and therefore costs, in setting up financial instruments, including outcome targets. This also creates ongoing difficulties in the monitoring and evaluation of these outcome targets. Possible steps may be for the Australian Government to provide subsidies for training in this area and also include expertise in social impact investing as part of the skilled migrant list.

Social impact investing activates private investment for the social sector, and the objective should be to move it towards mainstream investments in the spectrum of investing. This would allow for more government resources to be used to fund areas of social welfare which do not necessarily offer a good “return on investment”.

The significant shift involved in moving to outcomes based management involves radically different approaches to risk management within providers, and requires governments to let go of a lot of operational inputs and other regulatory matters. Doing this well requires agencies with significant research, analysis, risk modelling research-to-practice capacity. It
also requires governments to rethink how they regulate the sector. There may be potential challenges between outcomes based funding and investigatory oversight if the oversight body makes recommendations that are incompatible with the provider having operational latitude. To be clear: we do not wish to make any criticism of oversight or oversight bodies as such; we may, however, need to involve oversight bodies in negotiations around impact investment to help foster the development of new approaches to oversight which are compatible with outcomes-based funding.

We believe that any approach that encourages and embeds rigorous outcomes measurement and the ability to prove that the intervention is actually helping people is laudable and therefore support the Australian Government exploring ways to develop the social impact investment market.

UnitingCare Australia is keen to explore with the Australian Government ways in which we can further develop these concepts.