

2020-21 Pre-budget Submission to the Commonwealth Government

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Overview

Australia has experienced more than 20 years of continuous economic growth and increased investment in health, education and social services and yet many Australians continue to experience poverty and exclusion.

SVA has a vision for Australia where all people and communities thrive and believe that this will be achieved when all Australians are empowered, have a voice in decisions that impact them, have a sense of belonging and experience social inclusion. SVA believes that belonging for all Australians requires, and is enabled through, specific recognition and respect of First Australians¹ knowledge and cultures.

We are a not-for-profit organisation that works with partners to overcome disadvantage in Australia, which requires great education, sustainable jobs, stable housing and appropriate health, disability and community services.

SVA is not a traditional service delivery organisation. We work at the intersection of government, social purpose organisations and the business sector. We seek to influence the way systems operate by providing funding; advising on strategy and evaluation; and making investments in partner organisations to significantly increase their social impact. We advocate for more effective programs and policies, and we convene unlikely coalitions to build support for system wide solutions.

Based on our experience, SVA is recommending a series of modest, targeted investments by the Commonwealth Government – in education and social impact investing - which the evidence suggests will increase the social impact of existing government spend and extend the reach of programs which have been shown to improve the wellbeing of Australians.

Education

SVA has been involved in work to improve Australia's education system for over fifteen years. In the last five years, we have led two education initiatives which are now ripe for scaling to a national level: *Evidence for Learning*, which SVA created to demonstrate the role a National Evidence Institute could play in Australia to improve education outcomes and which was recently endorsed by the Education Council; and the *Bright Spots Schools Connection*, a national collaborative network involving fifty Australian schools serving disadvantaged students that is about to move to a new growth phase.

On the basis of this work, we recommend that the Commonwealth Government:

- Fund the **National Evidence Institute (NEI)** to drive evidence-informed policy and practice in Australian schools. Funding for the NEI, across Commonwealth and state governments, should be in the order of \$150 million over ten years.
- Provide \$6 million over the forward estimates to support a prototype **Rural, Regional and Remote Bright Spots Network**, based on the *Bright Spots Schools Connection* model, to identify, foster and spread best practice teaching and learning, and build a clear evidence base of programs and initiatives that are making a difference to students in RRR schools, particularly those experiencing disadvantage.

Social impact investing

SVA is the largest dedicated player in the Australian social impact investing market, across social impact bonds, social enterprises, and housing projects. We currently have \$120 million funds under management.

We are excited by the Morrison Government's commitment to developing the impact investing market in Australia and have engaged closely with the Social Impact Investing Taskforce in the Department of the Prime Minister and Cabinet, as well as with relevant teams in the Department of Social Services. The co-Chair of the Taskforce Expert Panel, Michael Trill, was SVA's founding CEO and remains Chair of our Leadership Council, and we are pleased to see his expertise informing this important work.

We intend to continue to engage with the Taskforce to present a comprehensive suite of policy directions that can support a robust impact investing market in Australia, including the effective implementation of outcomes-based funding; attracting appropriate private capital to the provision of social, affordable and disability housing; and growing the social enterprise ecosystem.

In this submission we propose two immediate, targeted initiatives for the Commonwealth Government's consideration:

- Establish permanent **mechanisms to engage government in social impact investing**, including a Minister for Social Impact Investing, and an Office of Social Impact Investing, at an indicative minimum cost of \$1.1 million per year.
- Expand the existing Sector Readiness Fund for social enterprises to include a **Contract Readiness Fund** of at least \$5 million over four years to support social enterprises to grow, creating job opportunities for Australians currently experiencing barriers to employment.

SVA's view is that the initiatives proposed are modest investments in the context of the Commonwealth budget, are based on sound evidence, and have the potential to improve social outcomes, prosperity and inclusiveness for Australians as well as increasing the social impact of the Commonwealth Government. SVA would welcome further discussions about the rationale and proposed funding measures for any of the initiatives.

These initiatives are targeted to areas where SVA has direct experience, and that are likely to yield significant social impact in the medium term.

We note that there are a range of other reforms including improvements to universal services, income support and labour market programs that are essential to reduce disadvantage and social inequality in Australia. In particular, we add our voice to the call for two broader pieces of policy change from the Commonwealth Government:

- **Increasing the rate of Newstart:** SVA supports the position put by the 'Raise the Rate' campaign, the Business Council of Australia, and many others that the current rate of Newstart is manifestly inadequate. It is further hurting individuals already experiencing disadvantage and creating barriers to their participation as full members of the Australian community – including barriers to seeking work.

We endorse the existing research from many social sector, academic and corporate organisations, which clearly demonstrates the inadequacy, unfairness, and economic impact of low rates of Newstart.² We urge the Commonwealth Government to raise the rate of Newstart and related payments as a matter of priority.

- **Funding universal access to early childhood education:** SVA supports the position put by Early Childhood Australia and others in the education sector that we need more secure preschool funding for children in the year before school, as well as the expansion of universal preschool access for 3 year olds in the two years before school.

High-quality early education can deliver long-term benefits well into adulthood, for the individual child, their family, community and broader society. In particular, it can be a powerful intervention

for children experiencing vulnerability and disadvantage. The evidence shows that two years of preschool participation is better than one, for the sake of children's learning, wellbeing and development.³

High-quality, affordable early learning is critical for ensuring great outcomes for Australia's children, and many children still do not have secure access to these services. The short-term nature of Commonwealth funding under the Universal Access National Partnership has created uncertainty for state governments, preschool services, and families. We urge the Commonwealth Government to provide secure funding for preschool across the forward estimates, and to extend this funding to enable universal access to a second year of subsidised preschool.

¹ The term First Australians is used here to refer to Aboriginal and Torres Strait Islander peoples.

² See, for example, Arthur, D. (2019) 'The adequacy of jobseeker payments' *Parliamentary Library Briefing Book: Key Issues for the 46th Parliament* Parliamentary Library https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook46p

³ Pascoe, S. and Brennan, D. (2017). *Lifting our Game: Report of the Review to Achieve Educational Excellence in Australian Schools Through Early Childhood Interventions*. Melbourne: Victorian Government. p.47.

National Evidence Institute

Recommendation

That the Commonwealth Government fund the National Evidence Institute (NEI), in line with the commitments by both State and Commonwealth Governments in the National Schools Reform Agreement and the agreement struck by the Education Council in December 2019.

Based on our experience in creating *Evidence for Learning* (E4L) and the experience internationally, SVA recommends an investment of \$150.1 million over ten years for the National Evidence Institute. This funding should be structured to secure the long-term success and independence of the NEI, and to enable it to leverage additional funding from States, Territories, school systems and philanthropists.

Funding should be available for the Institute to commence operations no later than 1 July 2020.

Rationale

Australia should aspire to an education system where children have an equal opportunity to access high quality education and to develop the skills and knowledge to be able to participate fully in the community, regardless of their background. This requires improvements in both the formal learning environments (early learning, schools, TAFEs, tertiary education) and in home and community environments; which have both been shown to have a profound impact on educational attainment.

With the Commonwealth committing an extra \$23 billion over 10 years for 'needs based' funding for schooling, it is imperative that this money is spent on things that make the biggest difference to learning, and that those things are implemented properly within the system.

To achieve these goals, Australia needs a more effective system to generate and apply evidence in education so that higher impact approaches are more frequently adopted and lower impact approaches are more quickly retired. This will lead to better education outcomes for all Australian students.

In comparison to health research in Australia, education research currently lags well behind both in absolute and relative terms.¹ Education research attracts \$470 million per year, or around 0.5% of expenditure, in comparison to more than 5% of investment in health.

The Commonwealth Government has committed to improving the use of evidence in education via the creation of a National Evidence Institute.^{2,3} In its policy statement, *Quality Schools, Quality Outcomes* (QSQO), the Commonwealth Government has stated that it intends to focus investment in programs and policies which evidence demonstrates will improve student outcomes. The previous Commonwealth Minister for Education stated that "*There's an urgency to make sure that every dollar we have is not only distributed fairly and equitably, it is also used as effectively and efficiently on [...] evidence-based reforms [...] and in pursuit of evidence.*"⁴

This follows the recommendations of several independent inquiries, including the Productivity Commission *Inquiry Report on the National Education Evidence Base*⁵ and the *Review to Achieve Educational Excellence in Australian Schools*, chaired by Mr David Gonski AC, (the 'Gonski Review').⁶

Reform 7 in the National Schools Reform Agreement commits the Commonwealth, State and Territory Governments to create:

"An independent national evidence institute to inform teacher practice, system improvement and policy development: Establishment of an independent national evidence institute to

undertake research on what works in improving school outcomes and the translation of this research into practical resources for use by schools and teachers.”⁷

In February 2019, the Education Council considered the National Evidence Institute, and noted:

“Education Council gave in-principle support to the scope and focus of a National Evidence Institute. [...] The new institute will have a practitioner-focus supporting better practice in schools and early learning settings.”⁸

In December 2019, Education Council agreed that:

“To ensure all schools have access to high quality research to underpin key decisions about teaching and learning practice, Ministers committed to establish the new National Evidence Institute as a joint Ministerial Company. This model will ensure there is an appropriate balance between operational independence and accountability to Council. This institute will translate research into practice in a way that supports teachers in the classroom.

“The institute will commence operations in 2020 and will position the nation’s educators at the forefront of education research to improve learning outcomes for all children and young people. Senior officials will undertake further work on implementation taking into account consultations on the Review of the National Architecture to ensure an integrated approach to the future arrangements for the architecture.”⁹

SVA welcomes this commitment, particularly the recognition of the need for operational independence.

Australia can learn from overseas examples of how other national policy makers have sought to ensure the most effective practices are adopted within a decentralised school system.

The *Education Endowment Foundation* is an evidence ‘broker’ to the English education system. It supports teachers and senior leaders by providing free, independent and evidence-based resources that improve practice and boost learning. Evidence of what works to improve teaching and learning is generated through rigorous trials – up to the standards of medical testing such as randomised control trials - of promising but untested programmes and approaches. Schools are then supported across the country in using evidence to achieve the maximum possible benefit for young people.¹⁰

EEF reports suggest this has:

- Been cost effective for pupils taking part in trials, with a lifetime gain valued at three times the cost of delivering and evaluating the programs; and
- Led to increased evidence informed practice (two in three school leaders use the EEF Teaching & Learning Toolkit; one in three schools is now involved in research).^{11,12}

While it cannot be solely attributed to the EEF, attainment gaps between students from high and low-income families have reduced by 23 per cent in primary and 14 per cent in secondary schools.

Through the EEF’s new partnerships in Latin America, the Toolkit has been adapted and translated into Spanish and Portuguese and the EEF is in discussions with other countries in Europe and Asia to further expand an international education evidence network.

Social Ventures Australia established *Evidence for Learning* (E4L) in 2015, to adapt the UK’s EEF model to the Australian federation and test it at small scale.

E4L built on the work of the EEF by raising philanthropic funding to add Australasian research and making the assets freely available and promoted nationwide. The EEF is a founding partner and E4L is now the exclusive Australian licensee and agent of all their resources and assets.

E4L currently works collaboratively with multiple governments, agencies, professional associations, networks and schools. It is actively sharing evidence about effective approaches by providing free, online summaries of global evidence through the Teaching & Learning Toolkit aligned to improvement strategies for Australian school systems.¹³

E4L is also supporting the creation of new rigorous evidence by commissioning randomised controlled trials of programs in schools through its Learning Impact Fund.¹⁴ This includes the trial of the Resilient Families program in Victorian schools, and the MiniLit program in NSW government schools. To drive the use of evidence, E4L is supporting schools to use evidence in their professional decision-making through the development of Australian practice guides and events like the Evidence Exchange.¹⁵

Proposal

A National Evidence Institute which focusses on generating, sharing and promoting use of educational evidence is fundamental to supporting the sector to methodically improve educational outcomes and improve Australia's 'learning productivity'.

The NEI will report publicly on what international and local evidence demonstrates will improve learning outcomes; conduct high quality trials of promising programs; and produce teaching support resources to increase the adoption of evidence-based practices in schools.

Consistent with the findings of the Gonski Review and the decisions of the Education Council noted above, the NEI should fulfil the following functions:

- Collate and synthesise international education evidence
- Assess strength and quality of evidence of existing and new programs
- Commission high quality research trials and translations in line with nationally agreed research priorities
- Develop teaching practice guides of high-impact interventions
- Stimulate demand within teaching profession for high quality evidence.

The Gonski review panel also recommended nine principles to inform the design of this new institution. The Review suggested it should be: **Independent**, **Collaborative**, foster **Evaluative** thinking and practice, a **Promoter and Commissioner** of research and the findings; a **Capacity Builder**; **Dynamic** to respond to the changing environment; **Future-focused**; **Responsive** to the needs of system and educators; and **Innovative** in testing new programs and approaches.

Funding, costs and governance

The estimated budget for the NEI (including establishment costs in year 1, and recurrent operational costs) is \$150.1 million over 10 years.

The NEI's greatest impact will be achieved if it is 'pump-primed' with sufficient funds to establish and scale its operations quickly. This will send a signal to researchers, policy makers, school leaders and system leaders of the need to engage in evidence informed practice at scale to create cultural change within the school system.

We encourage the Commonwealth and States to provide a firm commitment to funding beyond the forward estimates, as the Commonwealth has recently done for ACECQA. The NEI will require long-term funding certainty so that its research agenda is, and is seen to be, independent of the views of any particular government.¹⁶ In the example of the EEF, it was established through an endowment which provided an additional level of independence and funding certainty.

In addition to core funding, State, Territory, Catholic and Independent school systems should be encouraged to pay for trials/evaluations within their own school systems and to purchase services and supports for their teachers and principals from the NEI. This will defray the costs and create a ‘user pays’ mechanism for school systems. As a national body, all reports created by the NEI – including program successes and failures – will be available for use by States and non-government schools and systems.

Table 1 provides an indication of scale and costs of the NEI’s activities, based on scaling the costs of the EEF relative to the size of the Australian education sector.

Table 1: National Evidence Institute indicative budget and impact compared to England’s EEF¹⁷

| | National Evidence Institute (Australia) 10 years | Education Endowment Foundation (England) | |
|-----------------------------------|---|--|----------|
| | | 2017 | 10 years |
| Scale of activity | | | |
| # Schools Engaged | 7,760 | 76702 | 15,250 |
| % Schools Engaged | 82% | 32% | 64% |
| Total Schools in Country | 9,414 | 24,000 | 24,000 |
| Budget | | | |
| Government funding (AUD) | \$150.1m | \$216.0m | \$424.0m |
| Philanthropic funding @ 25% (AUD) | \$37.5m | \$39.1m | \$106.0m |
| Products generated | | | |
| Toolkit Summaries | 40 | 34 | 40 |
| Program Reviews | 225 | - | - |
| Research Trials | 147 | 145 | 250 |
| Practice Guides | 10 | 3 | 10 |
| Evidence Networks | 67 | 20 | 75 |
| (Schools served - 50 per network) | 3,350 | 1,000 | 3,750 |

Education Council has agreed that the NEI will be established as a joint Ministerial Company . To ensure the independence necessary for success, the best approach would be for the NEI to operate under its own constitution, with decisions made by a skills-based board of directors who are responsible for the governance of the entity. A separate advisory council should be established to enable full and meaningful representation across the school sectors and ensure that the NEI is fully engaged with the needs and concerns of school systems, teachers, principals and others.

Independence will also be critical to leveraging philanthropic funding for the NEI, which the EEF experience has shown is an important mechanism for scaling the work of the Institute. Engagement with philanthropists suggests a high degree of interest in being able to invest in trials of programs that would align with a national research agenda and which would be automatically adopted into a system for translating evidence into practice where the results indicate a program is impactful.

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- ¹ Productivity Commission (2016), *Inquiry into the National Education Evidence Base, Report no. 80*, p214 <http://www.pc.gov.au/inquiries/completed/education-evidence/report>
- ² Commonwealth of Australia (2018) *Budget 2018-19, Budget Strategy and Outlook Statement 1*, p27
- ³ Commonwealth of Australia (2018) *Portfolio Budget Statements 2018–19 Education and Training Portfolio*, p10
- ⁴ Birmingham, S (2016) *Speech to ACEL Conference* <https://www.senatorbirmingham.com.au/speech-at-ancel-2016-conference/>
- ⁵ Productivity Commission (2016) *op. cit.*
- ⁶ Australian Government (2018) *Through Growth to Achievement: Report of the Review to Achieve Educational Excellence in Australian Schools Recommendation 23* https://docs.education.gov.au/system/files/doc/other/662684_tqta_accessible_final_0.pdf
- ⁷ Australian Government (2018) *National Schools Reform Agreement – Fact Sheet* Commonwealth of Australia. <https://www.education.gov.au/national-schools-reform-agreement-fact-sheet>
- ⁸ Education Council (2019) *Communique 22 February 2019* <http://www.educationcouncil.edu.au/EC-Communiqués-and-Media-Releases.aspx>
- ⁹ Education Council (2019) *Communique 12 December 2019* <http://www.educationcouncil.edu.au/EC-Communiqués-and-Media-Releases.aspx>
- ¹⁰ See <https://educationendowmentfoundation.org.uk/about/> for further information
- ¹¹ National Audit Office UK (2015) *Funding for disadvantaged pupils* <https://www.nao.org.uk/wp-content/uploads/2015/06/Funding-for-disadvantaged-pupils.pdf>
- ¹² Education Endowment Foundation (2016) *The EEF at 5* https://educationendowmentfoundation.org.uk/public/files/Publications/5th_Anniversary_Brochure_Final.pdf
- ¹³ See <http://evidenceforlearning.org.au/the-toolkit/> for further information
- ¹⁴ See <http://evidenceforlearning.org.au/lif/> for further information
- ¹⁵ See <http://evidenceforlearning.org.au/evidence-exchange-2016/> for further information
- ¹⁶ “The Government will provide an additional \$23.9 million over three years from 2020-21 (and \$7.8 million per year ongoing) to continue funding the Australian Children’s Education and Care Quality Authority (ACECQA) on an ongoing basis.” Commonwealth of Australia (2019) *Mid-Year Economic and Fiscal Outlook 2019-20, Budget Strategy and Outlook Statement 1*, p205.
- ¹⁷ These costings are based on 2017 budget data for the EEF. They should be taken as indicative only, noting that they have not been indexed either since 2017, or for the 10 year forward projection.

Supporting 'Bright Spots' in regional, rural and remote education

Recommendation

That the Commonwealth Government invest \$6 million over the forward estimates to enable the creation of a \$34 million national collaborative '*Bright Spots Schools Connection*' network of regional, rural and remote (RRR) schools.

The *RRR Bright Spots* prototype will:

- Spread good practice in teaching and school leadership in rural, regional and remote environments;
- Build a clear evidence base of programs and initiatives that are making a difference to students in RRR schools, particularly those experiencing disadvantage;
- Increase awareness of innovative approaches that have a proven impact on learning outcomes of students in RRR communities;
- Lift outcomes in up to 250 low socio-economic regional, rural and remote sites directly engaged in the project, and hundreds of others through diffusion of best practice;
- Build and test online collaboration tools to reduce the distance divide in delivering professional learning, and
- Evaluate and codify the model and lay the groundwork for future expansion to interrupt the cycle of geographic disadvantage.

Commonwealth Government investment will enable the project to leverage significant corporate, philanthropic, and state government funds.

Rationale

Australia aspires to an education system characterised by access and equity. As the recent Alice Springs (Mparntwe) Education Declaration states:

*"Our vision is for a world class education system that encourages and supports every student to be the very best they can be, no matter where they live or what kind of learning challenges they may face"*¹.

Australia currently lacks the capacity to achieve this. Our education outcomes as a nation have declined. High ability students from low socio-economic backgrounds achieve less academically than more advantaged students.² This situation is exacerbated in RRR schools where more children start school behind³ and fewer complete Year Twelve.⁴

Within this landscape some schools are excelling. We can learn from these schools and use their success to drive outcomes across Australia.

The Australian Government is uniquely placed to play a role in enabling excellence in RRR schools. It is unacceptable that geography has a tremendous impact on children's education. Over 1.1 million children attend the 4,400 Australian schools outside metropolitan areas – 47 per cent of all schools in Australia.⁵ To thrive as a country Australia needs to support all children to succeed.

Improving education outcomes in RRR areas is a wicked problem, beset by issues of distance, access to resources and workforce shortages. Australia's current program-based approach is not sufficient. This proposal aims to support progress on all three of these fronts.

The challenges in RRR areas are partly driven by distance and school size. There are over 2,100 schools in Australia with 100 or fewer students and most of these are in RRR locations.⁶

Significant gains can be made by focusing across the nation on and spreading school excellence - learning, supporting and sharing models of practice from RRR low-socio economic schools that are achieving exceptional outcomes despite their geographic and socio-economic challenges.

High quality school leadership can be expected to have a significant impact on learning outcomes for RRR students. The Alice Springs (Mparntwe) Education Declaration states that:

“All Australian Governments and the education community, including universities, must work together to foster high-quality teaching and leadership. This includes providing the opportunity and resources for ongoing professional learning, equipping educators with high-quality evidence and data, and developing well-prepared pre-service teachers.”⁷

There are clear challenges in making this a consistent reality in RRR schools, including attraction and retention of high-quality leaders, and effective professional support and development with specific recognition of context for these educators. High quality practice exists currently in some RRR communities, but we lack mechanisms to ensure that this spreads to other communities facing similar challenges.

Now is the time to prototype an RRR collaborative network model that has been successfully implemented as a trial in other contexts, and to maximise the return on investment from the Australian Government's significant education spend.

Such a network would support the Government's goal to improve educational outcomes for RRR students, as identified in its response to the *Independent Review into Regional, Rural and Remote Education* ('the Halsey Review').⁸

It would also support the specific recommendations of the Halsey Review that government should:

- *“Ensure RRR contexts, challenges and opportunities are explicitly included in the selection, preparation, appointment and on-going professional support of educational leaders.*
- *Support RRR communities to implement innovative approaches to education delivery designed to improve education access and outcomes for students living in remote communities.”⁹*

Across Australia the primary focus for states and territories is lifting underperforming schools. However, students in RRR schools should have the opportunity to achieve excellence, not just meet minimum standards. We need to create conditions for all students to succeed through shared evidence informed effective practice and collective efficacy. National support is needed to link RRR schools to leading practice in other jurisdictions in Australia and internationally.

These issues cannot be addressed on a state by state basis. Both AITSL and the Halsey Review found that smaller RRR schools have unique challenges.¹⁰ Schools in a remote location may have more in common with another remote school in different state than they do with schools in their own jurisdiction. By working across jurisdictions, high performing like schools can be identified – 'bright spots' that share the same challenges but are outperforming like schools. National spending can be leveraged to drive improved outcomes, especially in smaller states and territories.

Since 2013, SVA has convened the *Bright Spots Schools Connection* (the *Connection*), a collaborative network model to support leadership development for improving student outcomes.¹¹ The model has so far directly benefited 30,000 students from 50 Australian schools. Based on our experience in this initiative, and on extensive consultation with national and international partners, we have found that this model is successful in accelerating change in communities experiencing disadvantage. Our ongoing evaluation indicates a wide range of benefits, including improvements in student achievement and aspiration, and a greater sense of motivation in teachers. We have seen the improvement of teaching practice through a professional support network that sets high expectations, so that current pockets of excellence inform, lead and influence others in their work and practice too. Experience from the *Connection* informs us that great leadership can enable and support consistent quality teaching and learning; poor leadership can disable it.

Evaluation of the first phase of the *Connection* pilot provides strong evidence that collaborative networks are an effective model of professional learning for school leaders. 94 per cent of leaders were implementing new practices after only one year of participation in the *Connection*.¹² ACER found that:

“The impact of The Connection on [participating] schools was ‘significant’, ‘positive’, ‘major’, ‘pivotal’. [Participating] school principals believe that the impact of The Connection on their schools’ work is considerable, transforming, and long-term.”¹³

Principals spoke of changes in thinking and behaviour, they became more aware of their vision; their knowledge and understanding of the curriculum; and their appreciation of their leadership responsibilities. In turn they noticed positive changes in their own and teachers’ capacity and ability to select and implement evidence-based practice.¹⁴

Given the early success of the *Connection* approach, the opportunity exists to prototype the *Bright Spots Schools Connection* model specifically in RRR schools.

Proposal

A Commonwealth Government investment of \$6 million over the forward estimates would support the prototyping of a \$34 million national collaborative *Bright Spots Schools Connection* network of leaders in RRR schools.

The *RRR Bright Spots* prototype would be aimed at addressing the wicked challenges in RRR education around the tyranny of distance, access to resources and workforce shortages that hamper systemic improvement. It would involve up to 750 schools across 250 sites around the country, and reach many more through the diffusion of best practice outwards from participating schools. It would involve schools from government and non-government systems, and connect schools facing common challenges across multiple jurisdictions.

The aim of the *RRR Bright Spots* prototype is to interrupt cycle of educational disadvantage in RRR schools by:

- enabling high performing schools to further develop and share practice, including with schools who are high-potential to become high-performing
- cultivating and supporting emerging leaders, who are better positioned to support excellent teaching in their schools
- implementing a model of professional learning that works across RRR environments.

The *SVA Bright Spots School Connection* is an existing model that has successfully supported low socio-economic schools to develop, share and learn with and from turn-around schools. This includes

schools in rural and regional areas, and schools supporting a diverse range of learners including Aboriginal and Torres Strait Islander students.

The *Connection* was informed by a wealth of research that strong leadership is required to turn underperforming schools around.¹⁵ This includes corporate research into how to best develop leadership, including the emerging evidence around the value of diversity and collaboration.¹⁶

The *Connection* model is informing and informed by leading-edge international education evidence. It is supporting national and global best practice as part of networks in New Zealand, Canada, the UK and the United States. This enables school leaders to learn from like schools internationally, and trial and share emerging practices.

This *RRR Bright Spots* prototype provides an opportunity for the Commonwealth Government to have a greater impact in rural, regional and remote schools – to support at system level the creation and maintenance of a backbone infrastructure that enables growth in networks of best practice school leadership, and to leverage additional state, philanthropic and corporate investment to ensure the model's sustainability and growth. This is vital to ensure the spread and normalisation of best practice across Australia to create connected systems of excellence.

Commonwealth funds would support this backbone infrastructure – including strategic support for schools and school leaders, digital infrastructure, and high-quality evaluation and codification of the model to support expansion of best practice.

Extending the *Connection* model through a *RRR Bright Spots* prototype could see up to ten percent of RRR schools directly participating in the prototype by 2024¹⁷, enabling it to drive significant improvements in outcomes. There is potential for significantly wider influence beyond the participating school. Based on emerging evidence of *Connection* schools sharing their learning with 2.5 other schools outside the *Connection*, more than one quarter of RRR schools will benefit from the initiative.

Funding

A commitment of \$6 million over the forward estimates from the Commonwealth would support the central infrastructure required to engage 250 sites (which could involve up to 750 schools) in RRR areas. This would be complemented by funding and in-kind contributions from participating schools and school systems, as well as philanthropic and corporate support, to cover the estimated total prototype cost of up to \$34 million over the forward estimates.

More detailed information about the proposed funding and operating model is available on request.

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- ¹ Education Council (2019) *Alice Springs (Mparntwe) Education Declaration*, p2.
- ² Goss, P., Sonnemann, J., Chisholm, C., and Nelson, L. (2016), *Widening gaps: what NAPLAN tells us about student progress*, Grattan Institute. <https://grattan.edu.au/report/widening-gaps/>
- ³ Commonwealth of Australia (2019) *National Regional, Rural and Remote Tertiary Education Strategy* p29 https://docs.education.gov.au/system/files/doc/other/national_regional_rural_and_remote_tertiary_education_strategy.pdf
- ⁴ Productivity Commission (2019) *Report on Government Services 2019* Part B Table 4A.59 <https://www.pc.gov.au/research/ongoing/report-on-government-services/2019/child-care-education-and-training/school-education>
- ⁵ Halsey, J. (2018), *Independent Review into Regional, Rural and Remote Education: Final Report* p.25 https://docs.education.gov.au/system/files/doc/other/01218_independent_review_accessible.pdf
- ⁶ Halsey, J. *op. cit.* p.47
- ⁷ Education Council (2019) *Alice Springs (Mparntwe) Education Declaration*, p11.
- ⁸ McCormack, M, Birmingham, S, McKenzie, B and McVeigh J (2018) *Joint Media Release: Independent Review into Regional, Rural and Remote Education* <https://ministers.education.gov.au/mccormack/independent-review-regional-rural-and-remote-education>
- ⁹ Halsey, J. *op. cit.* p.5
- ¹⁰ AITSL (2018) *Exploring the opportunities and challenges of teacher professional learning in the early childhood, casual/relief and rural/remote teaching contexts - Findings report* <https://www.aitsl.edu.au/docs/default-source/hqpl/hqpl-3-cohorts-findings-report---final.pdf>; Halsey, J. *op. cit.* p.6
- ¹¹ See <https://www.socialventures.com.au/education/the-sva-bright-spots-schools-connection/> for further information about the *Connection*
- ¹² ACER (2018) *Evaluation of the Bright Spots Schools Connection*, unpublished.
- ¹³ *ibid.*
- ¹⁴ *ibid.*
- ¹⁵ See, for example: Jensen, B & Sonnemann, J. (2014) *Turning around schools: it can be done*, Grattan Institute <https://grattan.edu.au/report/turning-around-schools-it-can-be-done/>; Macklin, P. & Zbar, V (2017) *Driving School Improvement – A practical guide*, ACER.
- ¹⁶ Daley A. (2019) Presentation to Education Leaders, Melbourne, 23 November 2019
- ¹⁷ Based on 250 sites, each involving between one and three schools.

Impact investing infrastructure

Recommendation

That the Commonwealth Government appoint a Minister for Social Impact Investing and establish a permanent Office for Social Impact Investment to sit within a central agency. The cost for the Office is scalable depending on intended scope, but would start from around \$4.4 million over the forward estimates.

Rationale

Social impact investments (SII) are investments made with the intention of generating positive, measurable social outcomes, alongside appropriate financial returns. SII can take many forms, including, but not limited to, investment in social enterprises, social impact bonds, and social housing and disability housing.

The Australian SII market is on the cusp of a growth phase, and there is a great opportunity for it to mature quickly as long as the right supporting infrastructure and initiatives are in place. An enabling environment, with strong leadership from a host of players including government, is essential to growing the SII market.¹ There is significant evidence, both internationally and from Australia, demonstrating that Government leadership is crucial in developing an efficiently functioning impact investing market.²

SVA believes that it would be an effective use of resources for the Commonwealth Government to create an enabling environment to encourage more private capital into social impact investing; as well as provide funding or co-funding for capacity building, outcomes payments, and data and measurement tools, which will deliver better social outcomes for the Australian people. To do this efficiently and effectively, a co-ordinated approach that builds on experience and expertise across government is required.

While the Social Impact Investing Taskforce currently operating within the Department of Prime Minister and Cabinet is a valuable step forward, their role is time-limited. Building a large and robust social impact investing market in Australia will require on-going co-ordination and leadership from the Commonwealth Government.

Proposal

- Appointment of a Minister for Social Impact Investing
 - A Minister with responsibility for Social Impact Investing to ensure appropriate exposure for SII policy to generate cross-portfolio support.
 - Responsibility for SII should sit within the Treasury portfolio.
- Establish an Office for Social Impact Investment to sit within the Treasury or the Department of Prime Minister and Cabinet
 - Experience both in Australia and abroad suggests that a central point of coordination, usually within or associated within a central agency, is essential to coordinate SII across government.
 - Involvement from an agency with a whole of government remit is important given the complexities in calculating both the costs and the potential outcomes across Government departments of SII, including the need for access to, and understanding of, various data sets.

- As the market grows, there is also a need for new approaches to data and impact measurement in SII, which a co-ordinating office within government would be well-placed to facilitate.
- Impact investors and intermediaries also need a central point of contact for origination of new kinds of transactions with the Commonwealth and to provide a central point to provide advice and feedback on ways to remove barriers to new investments.
- The Office should seek to draw on expertise and experience from across government, including but not limited to the staff involved in the current Impact Investing Taskforce, the teams involved in work on outcomes payment frameworks in the Department of Social Services, and those engaged in housing policy in Treasury.

Funding

The cost of establishing an Office for Social Impact Investing is scalable depending on intended scope. The cost of initial establishment with a focus on inter-departmental and inter-governmental co-ordination, policy development and advice, and some data management, and a 'shop front' for impact investors and intermediaries would be in the order of \$4.4 million over the forward estimates.³ This investment represents a 'bare minimum' to help grow the market and would need to be scaled up depending on the appetite and volume of potential transactions. Implementing the full suite of recommendations that may be expected to arise from the Impact Investing Taskforce would require significantly more resources. Funding for implementation of social impact investment initiatives would be additional to this.

Creating a new Ministerial portfolio would not incur any additional cost to the Budget.

¹ Addis, Bowden and Simpson (2014) *Delivering on Impact*. Impact Investing Australia. <http://gsqii.org/reports/delivering-on-impact/>

² *ibid.*

³ This estimate is based on four years of funding for a staff of 6 FTE, ranging from an SES Band 1 to APS6, including on-costs.

Contract Readiness Fund for social enterprise

Recommendation

That the Commonwealth Government expand the existing Sector Readiness Fund for social enterprises to include a Contract Readiness Fund of at least a minimum of \$5 million over the forward estimates. This fund would enable social enterprises to access the specialist support services they need to position them to win and deliver on large social procurement contracts, expanding the social enterprise sector and generating job opportunities for people experiencing disadvantage.

Rationale

Social procurement is the innovative use of business and government purchasing power to create social value. Social procurement contracts are typically issued by either government or businesses and include consideration of social factors – such as employment of disadvantaged groups – in the tendering process. This can underpin demand for the products and services supplied by social enterprises, in which impact investors can then invest.

Australia is experiencing significant growth in social procurement due to the increased use of business and government purchasing power to create social value.

Governments are critical to the acceleration of social procurement. For example, the Commonwealth Government has committed to place 3 per cent of its procurement contracts with Indigenous suppliers - an estimated 1,500 contracts or \$135 million each year.¹ The Victorian Government's Social Procurement Framework requires all government expenditure to take social outcomes into account, and in some to mandate social procurement approaches.² Infrastructure projects in Victoria are starting to generate significant revenue for social enterprises and, if properly harnessed, have the potential to create thousands of jobs for people experiencing disadvantage. Social procurement in the UK has fuelled the growth of social enterprise champions such as the HCT Group, a social enterprise that operates many of London's red buses, providing 30 million passenger trips every year.³ Corporations are also increasingly exploring social procurement as a means of demonstrating their commitment to corporate social responsibility.

Social procurement is not just good social policy, it also represents value for money. Supply Nation undertook a Social Return on Procurement analysis and found that for every \$1 spent with an indigenous business there was a \$4.41 return.⁴

The growth in social procurement is already driving demand for social enterprise growth. However, the constraint in meeting this expected demand is a lack of contract-ready social enterprises at sufficient scale to deliver on large contracts. A survey of corporate and government procurement officers reveals barriers to realising the full potential of social procurement include difficulties in sourcing suitable social benefit suppliers, risk associated with breaking existing supply chain relationships and potential impacts on supply chain productivity.⁵ Many social enterprises do not currently have the experience or expertise to successfully compete for and deliver large social procurement contracts. Social enterprises seeking to realise social procurement opportunities need a combination of business support and investment.

While there is growing interest for social benefit supplier sector capacity building, it is mostly focussed on deal brokerage and start-up incubators/accelerators. There is only sparse contract management support, and inadequate resources for the transformative capacity building required to facilitate impactful growth of mid-later stage enterprises that can deliver larger social impact.

The Commonwealth's \$7 million investment in the Sector Readiness Fund has been an important step in growing the social enterprise marketplace in Australia. However, the current fund is only able to support social enterprises who need assistance to raise capital. In many cases, social enterprises that are seeking to win and deliver on large contracts do not need additional investment but do need other specialist support. There is a substantive gap in the Australian market for this contract readiness support.

To ensure that social enterprises maximise the potential of the emerging social procurement opportunities, SVA has launched a new contract readiness support initiative, *The Upscaler*. This is a pilot program to support social enterprises to win and deliver large social procurement contracts, via a combination of social enterprise growth advisory services, transaction services and post-contract support.

The Upscaler has recently received support from Gandel Philanthropy for the upscaling of six to eight social enterprises per year over three years, with an overall target of creating at least 500 employment opportunities for priority job seekers.

While this initiative has significant potential, it is currently philanthropically funded and is limited in scale and duration. SVA believes that broader government support for capacity building activities could provide the necessary tools to support the growth and sustainability of social enterprises around the country at a much larger scale. It also provides an opportunity for the Commonwealth Government to leverage philanthropic, corporate and impact investing funding to extend its impact.

An expansion in the size and scope of the Sector Readiness Fund to include a Contract Readiness Fund could provide the necessary capacity building capability to support the growth and sustainability of social enterprises around the country. Such a fund could contribute to the wider social enterprise ecosystem by sharing case studies, tools, contributing to key events and common ecosystem platforms which provide greater information and access to all interested parties.

Case study: Vanguard Laundry Services

In 2016, SVA was instrumental in raising \$6 million of capital from a blend of philanthropy, government, local investors and bank finance to setup Vanguard Laundry Services (VLS) which is a start-up non-profit commercial laundry based in Toowoomba. SVA worked to help deliver the Vanguard Laundry social procurement deal through partnering with St Vincent's Hospital and the Toowoomba Clubhouse. Luke Terry, an experienced entrepreneur, had a vision to open a commercial laundry social enterprise in Toowoomba and saw the business as an opportunity to support the local community by employing people with mental health issues.

SVA provided strategic and commercial advice, brokered pro-bono legal support, recruitment assistance and support to transform this business opportunity from an idea into a leading Australian social enterprise. Vanguard Laundry in Toowoomba now has a \$14 million contract with St Vincent's Health and employs 40 staff. The laundry is aiming for 1000 staff within 10 years.

The ultimate beneficiaries of a Contract Readiness Fund will be Australians experiencing disadvantage who will be able to access jobs, many of them for the first time. The exact characteristics of the beneficiaries will depend on the social enterprises supported, but based on past experience we expect cohorts to include people with disability or mental ill-health, young people, disadvantaged women, unemployed people and Aboriginal and Torres Strait Islander people. Ultimately, social

enterprises are responsive to local needs, and can be targeted towards key cohorts facing acute challenges, such as refugees and recent migrants, older Australians and workers affected by industry restructuring.

There is a growing body of international and local evidence to support the establishment of a Contract Readiness Fund. Internationally, the most conclusive evidence comes from the UK Investment & Contract Readiness Funding (ICRF), a £13.2 million grant fund that aimed to increase the number and scale of social ventures that are investable and able to compete for public sector contracts on a level playing field. 155 ventures received grants to pay for investment and contract readiness support, with an average grant size of £85,000.⁶

This support led to £233 million of value being unlocked, including £154 million of contracts. In other words, every £1 spent by government on contract readiness unlocked £23 of contract value. 89 per cent of ventures reporting increased contract readiness as a direct result of ICRF support.⁷ Ventures consistently reported that ICRF helps to build the capabilities of ventures for the longer term rather than simply helping them access specific short-term opportunities. Across a range of dimensions, ventures report significant increases in their skills and knowledge thanks to the help they have received. The most significant increases were for approaching legal issues; measuring impact; and building a case for expansion⁸. More recently, the UK Cabinet Office, Big Society Capital and Big Lottery Fund have jointly established the Access Foundation, a £100m foundation aimed at helping early stage social enterprises and charities access finance. The Access Foundation will deliver support via a Growth Fund (providing matched loan and grant capital up to £150,000) and its capacity building programs.⁹

Proposal

For social procurement (and impact investing) to achieve its full potential, the social enterprise market will need to continue to scale – and bringing in expert capacity building support is critical for this.

We recommend that the Commonwealth Government establish a Contract Readiness Fund, as an expansion of the existing \$7 million Sector Readiness Fund. A fund of \$5 million would be of sufficient scale to support 20-30 social enterprises to scale nationally, via winning and delivering multiyear contracts over \$1 million. This will create new employment opportunities for disadvantaged Australians as well as significant lasting improvement in the capability and financial sustainability of social enterprises. Providing addition funds beyond the \$5 million would enable greater impact. There is equally potential to scale this initiative to support a larger number of larger social enterprises if further funding was available.

In the long-term, this network of 20-30 leading social enterprises in major business-to-business industries would have operations in most states and territories and have the scale and sophistication to transact directly with Government and ASX companies – without any external support.

There would also be significant opportunity for social enterprises and support initiatives to leverage this funding to access further corporate and philanthropic support that would not otherwise be available, further increasing the impact of the Commonwealth's investment.

Funding

An investment of \$5 million over the forward estimates would enable 20-30 social enterprises nationally to scale to win and deliver multi-year contracts over \$1 million. Funds of this scale would be sufficient to make a meaningful difference in the market, while not overwhelming the existing capacity of the sector to engage. Greater impact could be achieved with a larger fund, appropriately phased to grow along with the sector

¹ Australian Government (2015) *Commonwealth Indigenous Procurement Policy* <https://www.niaa.gov.au/sites/default/files/publications/indigenous-procurement-policy.pdf>

² Victorian Government (2018) *Victoria's social procurement framework: Building a fair, inclusive and sustainable Victoria through procurement* <https://buyingfor.vic.gov.au/social-procurement-document-library>

³ See http://www.hctgroup.org/about_us for further information

⁴ Supply Nation (2018) *The Sleeping Giant: A Social Report on Supply Nation Certified Suppliers* <https://supplynation.org.au/wp-content/uploads/2018/08/Sleeping-Giant-Report.pdf>

⁵ Barraket and Loosemore (2018) Co-creating social value through cross-sector collaboration between social enterprises and the construction industry' *Construction Management and Economics* Vol 36 Issue 7. <https://doi.org/10.1080/01446193.2017.1416152>

⁶ Ecorys UK on behalf of UK Cabinet Office (2015) *In Pursuit of Readiness: Evaluation of the Investment and Contract Readiness Fund* <https://www.sibgroup.org.uk/resources/in-pursuit-of-readiness>

⁷ *ibid.*

⁸ Boston Consulting Group (2014) *Ready, willing and able: an interim review of the Investment and Contract Readiness Fund*, <https://www.gov.uk/government/publications/investment-and-contract-readiness-fund-interim-review-report>

⁹ See <https://access-socialinvestment.org.uk/> for further info