

# 2021-22 Pre-budget Submission to the Australian Government

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# Overview

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Australia's COVID response and the leadership demonstrated by our communities and governments has shown what can be achieved when we band together to realise a common goal. As we move to the next phase of our COVID recovery we need to bring the same determination to other areas of social policy which will ensure that Australia's most vulnerable people and communities can thrive.

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 Nations 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, in this year's pre-budget submission SVA is recommending a series of targeted investments by the Australian Government 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 social outcomes, wellbeing, prosperity and inclusiveness for Australians.

These include:

- Partners in Recovery: A Resilient Charities Fund
- Social Impact Investing
- Education and Early Years
- Income Support

We would be happy to provide further detail about any of the proposed initiatives below. Please note that the costings supplied are indicative only and should be used as a starting point for further discussions.

# Partners in Recovery: A Resilient Charities Fund

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## Recommendation

That the Australian Government should establish a one-off, time-limited Resilient Charities Fund to support charities to undertake strategic and operational transformation so they can continue to strengthen Australia's economy and society through and beyond the COVID-19 crisis.

## Rationale

Although economic indicators are improving in the wake of the COVID-19 crisis, history tells us that unemployment, and its resultant social dislocation, takes much longer to recover than it did to rise.<sup>1</sup> During this period, charities will be critical for our economic and social recovery and resilience.

- Charities provide vital services that people, communities and government rely on, and strengthen the fabric and functioning of society. We will need thriving charities to function effectively to deliver support on behalf of governments, and in their broader social capacity.
- Charities are also major economic contributors. They employ more than one in ten employees in Australia. The types of jobs that charities offer will be critical to economic recovery. Sectors with high concentrations of charities – health care and social assistance, and education and training – are two of the three sectors expected to contribute the most to jobs growth in the next five years.<sup>2</sup> The current crisis is demonstrating the need for improved workforce capacity and capability in the disability and aged care sectors in particular. The health care, social assistance and education sectors also disproportionately employ women,<sup>3</sup> who as a cohort have been hit hard by the crisis.
- Emerging evidence suggests that strong social networks and community organisations are critical factors in the recovery of communities from crises.<sup>4</sup> This indicates a major role for charities in maintaining and improving Australia's resilience.

2020 was a 'perfect storm' for many charities. Analysis has shown that charities were already facing shrinking margins, limited reserves, and more complex demands even before the 2019-20 bushfires.<sup>5</sup>

- Due to the COVID-19 crisis, charities are managing the confluence of service disruption, falling income, rising demand and higher operating costs, as well as a rapid shift to online delivery models.<sup>6</sup>
- The JobKeeper wage subsidy and other support such as the Cashflow Boost have bought charities some time, but they face major structural challenges. Without support to reform, many will struggle to survive. Modelling suggests that over 180,000 jobs are still at risk by September 2021, even with the extension of JobKeeper to March 2021.<sup>7</sup>

Crucially, even when well-managed, charities face constraints specific to their regulatory and operational environment that can make it nigh on impossible to undertake the changes needed as a result of COVID without government supports. Their recovery will be uniquely challenging compared to that of for-profit businesses.

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<sup>1</sup> See, for example, Reserve Bank Governor Phillip Lowe's testimony in Commonwealth of Australia (2020) *Senate Select Committee on COVID-19: official Hansard* 28 May 2020; Coates, B., Cowgill, M., Chen, T., & Mackey, W. (2020). *Shutdown: estimating the COVID-19 employment shock* Grattan Institute.

<sup>2</sup> Analysis of Australian Government (2019) *Australian Jobs: Jobs by Industry* Department of Education, Skills and Employment.

<sup>3</sup> Analysis of Vandenbroek, P. (2019) *Snapshot of employment by industry 2019* *FlagPost Blog*, 10 April 2019, Parliamentary Library of Australia

<sup>4</sup> See, for example, Commonwealth of Australia (2020) *Report of the Royal Commission into National Natural Disaster Arrangements*

<sup>5</sup> SVA & CSI (2020) *Will charities be COVID-19 casualties or partners in recovery: A financial health check*.

<sup>6</sup> *Ibid.*

<sup>7</sup> SVA & CSI (2020) *Taken for granted? Charities' role in our economic recovery*.

- Most charities do not have much financial margin or access to flexible untied funding. They are unable to redirect funds to invest in capacity building and organisational transformation even when there are clear long-term benefits to doing so.<sup>8</sup>
- They also cannot easily access capital to invest in their own future success, while businesses can offer equity or take loans with the expectation of future financial return.<sup>9</sup>
- Many of the policy supports available for businesses – such as accelerated depreciation and other tax relief – do not provide any assistance for charities as they do not pay company tax.

The Australian Government derives significant benefits from having a resilient charity sector, and should invest strategically to maximise those benefits to aid the recovery but also to ensure communities have the social capital to survive the next challenge.

- The Australian Government has recognised its role in supporting businesses and other organisations who face specific barriers to productivity and success. Examples include support for research commercialisation; export market development grants; and subsidised access to commercial expertise for social enterprises.
- Government relies on charities to efficiently and effectively deliver services on its behalf, across sectors including emergency relief, employment, education, health, disability services, and disaster preparedness.
- Furthermore, the community engagement and connections enabled by charities – including churches, sporting clubs, and cultural organisations – builds community resilience which is conducive to Australia's economic and social prosperity, especially in times of crisis.

## Proposal

The Resilient Charities Fund will improve the productivity and effectiveness of charities by providing up-front support for them to invest in long-term transformation. This will position them to support resilient Australian communities in the 'post-COVID' recovery, and deliver government-funded services more efficiently.

Developing business and operational models, and implementing the resulting changes to organisational capability and business processes, takes time and capacity that charities may struggle to access up-front even though the medium-term benefits are clear. Resource-constrained organisations often do not have capacity to reflect on whether such improvements could enhance productivity, but case studies of those who have undertaken such changes are compelling.<sup>10</sup> They may also need support to identify and source new revenue streams and/or sources of capital, and improve financial management capability.

The Fund would complement, not duplicate, existing government support for charities. Current support is focused on maintaining cashflow (Cashflow Boost), employment (JobKeeper wage subsidy), and managing immediate COVID-related demand increases (additional funding for emergency relief and mental health services).

### Priority areas for charity transformation

The Fund would be open to a range of types of transformation and industry restructuring that are now needed or have been accelerated because of COVID-19 and the 2019-20 bushfires. These could include of:

- **Technology and cyber security** - Technology transformation could significantly improve efficiency and effectiveness in many charities, but under current funding frameworks charities do not have the up-front resources to invest in such reforms.<sup>11</sup> Current technology arrangements may also pose significant cyber security concerns, especially for larger service delivery charities, posing material risks to organisations and the individuals they serve.
- **Business and operational model adaption** - Many charities are identifying that their business and operational models are no longer sustainable in a with-COVID and post-COVID world, especially when combined with other forces such as an increased expectation of client-centric service delivery. More than

<sup>8</sup> SVA & CSI (2020) *Partners in recovery: why charities need tailored support*.

<sup>9</sup> *ibid.*

<sup>10</sup> See, for example, SVA Quarterly (2016) *Process efficiencies help non-profits achieve more impact*

<sup>11</sup> Infoxchange (2020) *Digital technology in the not-for-profit sector*. As of late 2020 only 46% of surveyed not-for-profits were using cloud-based systems, which posed major barriers to shifting to remote work during the crisis. Further, 49% of not-for-profits reported that funding and costs are the major barriers to making better use of technology

half of surveyed not-for-profits reported that significant changes were required to their service models as a result of COVID-19.<sup>12</sup>

- **Governance and collaboration** - Some charities will need to review their overall approach to pursuing their charitable purpose in the wake of the crisis. This may require structural change to their legal and governance arrangements, including mergers and other consolidation options where appropriate. Four percent of not-for-profits reported they were considering mergers.<sup>13</sup> Such changes may require considerable up-front investment to realise long-term efficiencies.
- **Leadership development and workforce capability** - Leadership and workforce capability has a direct impact on organisational performance, outcomes and impact. The sector often does not have the resources to access the kinds of leadership development that the for-profit sector takes for granted, even though building leadership capacity is a highly leveraged investment because it impacts the whole organisation.
- **Outcomes measurement and data analytics** - Only 44% of surveyed not-for-profits have systems that enable them to understand their impact.<sup>14</sup> Improving this capacity would provide an ongoing benefit to funders, including government, as well as service providers who would be able to better understand the impact of their work, and direct resources towards 'what works'.

### *Nature of support*

The Resilient Charities Fund would offer an integrated package of support to charities who can demonstrate a need for organisational transformation. Support would be provided as a combination of:

- **Capability support** – the Fund would use a voucher model to enable charities to access professional support aligned to the transformation need of the charity. This support will enable them to generate the maximum possible value from the funds provided. Vouchers could be redeemed from an approved panel of suppliers, composed of entities with specialist knowledge of supporting charities that are transitioning. To build sector capability, priority should go to organisations oriented towards community benefit (e.g. charities, not-for-profit organisations, social enterprises, B-Corporations). For-profit service providers with demonstrated sector expertise could be considered for participation, especially if they are willing to provide support on a pro-bono or low-bono basis.
- **Cash** – direct grants to implement the change identified via the capability support. This might be required for investments in technology (including technology that can be shared by multiple charities) and other capital expenditure; for enabling staff time and capacity to implement reform; or to cover the up-front costs of change in governance or operational approaches.

Importantly, support would not be intended to provide working capital or cashflow support, or to subsidise day-to-day operations. Instead, it recognises the legal and operational constraints that charities face in being able to invest their usual funding streams into capability development.

### *Collaboration and leverage*

There are currently only very limited incentives for charities to genuinely collaborate to drive structural change across the sector, as current funding arrangements often place them in direct competition. This means that even when charities pursue reform, they may do so in 'silos'.

- Charities would be encouraged to make joint bids for funding to maximise collaboration, reduce duplication and generate transformational change across sub-sectors.
- The Fund administrators would be resourced to provide 'match-making' services and facilitate other forms of collaboration between charities and other organisations (not-for-profit, business and philanthropy). They could also provide early-stage support to help charities identify the kinds of transformation most suited to their circumstances, so funding is well-targeted.<sup>15</sup>

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<sup>12</sup> *ibid.*

<sup>13</sup> CSI (2020) *Pulse of the for-purpose sector and building back better*

<sup>14</sup> Infoxchange (2020) *op. cit.*

<sup>15</sup> For example, the New Zealand Government's [Capability Investment Resource](#) funding, which aimed to improve social outcomes, used a multi-stage funding process to identify where support was most needed, to maximise the value of investment. The US-based Ford Foundation's [BUILD initiative](#) took a similar approach.

There is considerable interest from philanthropists and the business community in supporting the structural transformation of charities and not-for-profits. A government investment has the potential to leverage significant additional support from such sources.<sup>16</sup>

### Operations and governance

- All charities registered with the ACNC would be eligible to apply for support.<sup>17</sup> Government should not attempt to differentiate between charities by sector or category, as they have all qualified as charities on the basis of their charitable purpose in line with current legislation.
- Charities would need to demonstrate that they are seeking support for strategic change in their organisation, not subsidising business-as-usual operations.
- The Fund would be best administered at arms-length to government to ensure its independence, and to tap into relevant expertise across the philanthropic, business and not-for-profit sectors. This could be achieved by outsourcing the administration to an appropriate external body.<sup>18</sup> Alternately, the Fund could be run from within a department,<sup>19</sup> but this may reduce the ability to leverage external funding sources, including philanthropy.
- In recognition of the importance of self-determination for Aboriginal and Torres Strait Islander communities, and the importance of supporting Aboriginal Community Controlled Organisations (ACCOs), a portion of the Fund should be dedicated to specifically supporting Aboriginal and Torres Strait Islander charities. The arrangements for these funds should be co-designed with relevant communities.

### Funding

A Fund of \$200 - \$400m would support 4,000 - 8,000 charities to transform their operations. This is a quarter to a half of all charities that employ people in Australia. Depending on the size and scope of the charity, they could receive between \$10,000 and \$250,000 in cash and capability support. Contributions from corporate or philanthropic sources to the Fund could further increase the size and reach of the Fund's impact. Phasing of the funding could be flexible depending on budget constraints and fund size but would be time-limited.

#### Indicative scale of support for charity transformation from a fund of \$280m

| Charity size | Support range | Average support value | Number of charities |
|--------------|---------------|-----------------------|---------------------|
| Large        | \$150-\$250K  | \$200,000             | 500                 |
| Medium       | \$50-\$100K   | \$75,000              | 1,000               |
| Small        | \$10-\$50K    | \$30,000              | 3,500               |
| <b>Total</b> |               | <b>\$56,000</b>       | <b>5,000</b>        |

To maximise overall value for money achieved by the grants, a further \$15-\$30 million would be required for operational costs to provide co-design support for applicants; facilitate collaboration between charities; and monitor and evaluate impact.

#### Indicative total program cost (\$'000) of a \$280m fund over the forward estimates

| Year   | FY22           | FY23           | FY24          | FY25 | Total          |
|--|----------------|----------------|---------------|------|----------------|
| Support for charity transformation (vouchers & grants) | 100,000        | 140,000        | 40,000        | -    | <b>280,000</b> |
| Supporting co-design and collaboration                 | 10,000         | 8,000          | 2,000         | -    | <b>20,000</b>  |
| <b>Total cost</b>                                      | <b>110,000</b> | <b>148,000</b> | <b>42,000</b> | -    | <b>300,000</b> |

<sup>16</sup>An example of a multi-sector funding model is the [Global Innovation Fund](#), which attracts investment from international governments including Australia, and philanthropists including the Omidyar network. Ireland also established a co-contribution innovation fund for charities in the wake of COVID.

<sup>17</sup> Aboriginal and Torres Strait Islander organisations who are exempt from registration with the ACNC via ORIC registration should also be eligible.

<sup>18</sup> For example, Impact Investing Australia currently administer the [Impact Investing Sector Readiness Fund](#) on behalf of the Australian Government Department of Social Services. Grant decisions are made by independent panels of experts.

<sup>19</sup> The Department of Social Services or the Department of Industry, Science, Energy and Resources have experience in managing such programs.

# Social Impact Investing

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SVA is the largest dedicated player in the Australian social impact investing (SII) market, across social impact bonds, social enterprises, and housing projects. We currently have \$150 million funds under management. We are excited by the Morrison Government's commitment to developing the impact investing market in Australia and have engaged with the Government over many years as well as the Social Impact Investing Taskforce ('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 provide input on some of the initiatives that we understand are under consideration by Government as a result of the Taskforce's recommendations. We also note two further areas that should form part of the next 'horizon' of the Australian Government's impact investing activity.

Across all areas of impact investing, we encourage the Australian Government to work with State and Territory Governments to co-ordinate rather than overlap or duplicate support provided by other entities. A coherent approach will be more efficient for all concerned, and in particular make it easier for both private capital and those seeking funding to engage with governments.

## Commonwealth Office of Social Impact Investing

### Recommendation

That the Australian Government establish a permanent Office for Social Impact Investment to sit within a central agency, reporting to a dedicated Minister for Social Impact Investment. The exact design and cost for the Office is scalable depending on intended scope but would start from around \$10-40 million over the forward estimates.

### Rationale

An enabling environment, with strong leadership from a host of players including government, is essential to growing the SII market.<sup>20</sup> There is significant evidence, both internationally and from Australia, demonstrating that Government leadership is crucial in developing an efficiently functioning impact investing market.<sup>21</sup> The Taskforce's interim report also notes the importance of government's role as a market facilitator in SII markets.<sup>22</sup> The Australian Government has a unique facilitation role in the market as it owns of much of the underpinning outcomes data, sets many of the price incentives and benefits significantly from the social outcomes.

Building a robust social impact investing market beyond the work of the Taskforce will require on-going co-ordination and leadership from the Australia Government. To do this efficiently and effectively, a co-ordinated approach that builds on experience and expertise across government is required.

### Proposal

The Australian Government should establish a Commonwealth Office for Social Impact Investment (COSII) to sit within either the Prime Minister and Cabinet or Treasury portfolios. Involvement from an agency with a whole of government remit is important given the complexities in calculating both the costs and the potential outcomes of SII across Government departments, including the need for access to, and understanding of, various data sets.

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<sup>20</sup> Addis, Bowden and Simpson (2014) *Delivering on Impact*. Impact Investing Australia.

<sup>21</sup> *ibid.*

<sup>22</sup> PM&C (2020) *Social Impact Investing Taskforce: Interim Report* p14

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 need a central point of contact for origination of new kinds of transactions with the Australian Government 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 work of the Taskforce in PM&C, the teams involved in outcomes payment frameworks and in the Department of Social Services (DSS), and those engaged in housing policy in Treasury and DSS.

## **Funding**

The cost of establishing an Office for Social Impact Investing is scalable depending on intended scope and would be in the order of \$10-40 million over the forward estimates. The low end of this range represents a 'bare minimum' to help grow the market. It would need to be scaled up depending on the appetite and volume of potential transactions – for example, if it had responsibility for administering an outcomes fund. Implementing the full suite of recommendations that may be expected to arise from the Taskforce would require significantly more resources. Funding for implementation of SII initiatives would be additional to this. Creating a new Ministerial portfolio would not incur any additional cost to the Budget.

## **Outcomes Fund**

### **Recommendation**

That the Australian Government establish an Outcomes Fund for the purpose of providing 'top-up' funding to State government commissioned outcomes-based payment initiatives.

### **Rationale**

Outcomes-based funding ensures taxpayer dollars are directed to programs that work and that are robustly evaluated. It encourages performance accountability and a culture of innovation and improvement.

In Australia, State governments have led the way in establishing pilot outcomes-based projects, often involving financial risk transfer to private investors through a social impact bond mechanism. However, the value generated through an intervention often arises across both State and Australian Government departments, and States can be reluctant to pay for value that does not accrue to them. An Outcomes Fund would enable the Australian Government to contribute to the outcomes payments made to a service provider, without having to directly develop and manage the underlying outcomes contract. This will result in more projects being commercially viable. Measurement of outcomes for which the Australian Government is responsible (such as reductions in welfare payments), ideally underpinned by data linkage, will also enhance the evaluation of program effectiveness.

An Outcomes Fund will facilitate the development of more, larger and more robust outcomes-based contracts, which will in turn build outcomes management capability across governments, build the evidence base for what works (and for whom), and stimulate the SII capital market. As payments are linked to the value generated for the Commonwealth, the Outcomes Fund should be fiscally neutral or positive over time. The Taskforce's Interim Report indicated that it expected to recommend an outcomes fund in its Final Report to government, as a means increasing outcomes-based funding opportunities and reducing the complexity and expense of setting up social impact bonds.<sup>23</sup>

### **Proposal**

The Australian Government should establish an Outcomes Fund in order to provide 'top-up' funding to State government commissioned outcomes-based initiatives. Effective design and implementation of such a fund will

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<sup>23</sup> *ibid.* p36, p41

be critical to its success. Based on our extensive experience with social impact bonds and other forms of outcomes contracts, we propose that the Outcomes Fund should work as follows:

- The Commonwealth should identify priority cohorts that are suitable for outcomes-based contracting, could generate meaningful Commonwealth savings and are aligned with broader policy objectives including measurable improved outcomes for the identified cohort.
- The Fund should provide clear guidance to States on the nature and value of the outcomes that the Commonwealth is prepared to pay for. Outcomes should align closely with Commonwealth savings (e.g. welfare payments).
- Applications should be open over an extended period of approximately two years to provide States and, ultimately, service providers with time to develop quality programs and proposals.
- Funding should be transferred into a separate trust entity (which would enter into agreements with the States) to create flexibility in the timing and level of payments over a term of approximately 10 years. Outcomes contracts are generally 5-10 years in duration, and by their nature the pattern of payments are 'lumpy' and will vary with program performance. The Outcomes Fund structure should sit outside standard budgetary commitment processes which do not work well with this level of variability.

## **Funding**

In order to create a genuine incentive for States and service providers to develop proposals, the Outcomes Fund needs to be large enough to support a meaningful number of transactions. It is recommended that an initial tranche of \$100m be committed to the fund over a four year period, with another \$100m after four years subject to an evaluation. We estimate that \$100m would be sufficient to support approximately 10-15 meaningful outcomes contracts. A further allocation would be necessary for the administration and operating costs of the Fund – this could be incorporated in the budget of the Commonwealth Office for Social Impact Investing proposed above.

## **Impact investing wholesaler**

### **Recommendation**

That the Australian Government establish an impact investing wholesaler that can invest flexibly; consider blended finance approaches; provide discount capital to intermediaries; and enable recycling of capital. The wholesaler needs to be structured in such a way as to catalyse additional investment from institutional investors that addresses gaps in the market, and not simply to substitute for existing pathways for current investment capital.

### **Rationale**

The Taskforce's Interim Report indicated that it expected to recommend the establishment of an impact investing wholesaler in its Final Report.<sup>24</sup> This is a model that has been used in a number of other jurisdictions (most notably Big Society Capital in the UK) to increase the scale of the impact investing market. A wholesaler also has potential to support the growth of social impact fund managers and social stock exchanges, further stimulating the market.

### **Proposal**

The Australian Government should establish an impact investing wholesaler as a mechanism for growing the SII market in Australia. Effective design and implementation of such a fund will be critical to its success. Based on our extensive experience as an impact investing intermediary in the Australian market, we propose that the wholesaler should:

- Have the flexibility to invest in intermediaries in several ways, to ensure that the investment is suitable to drive social impact.

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<sup>24</sup> *ibid.* p38, p41

- Consider blended finance approaches (i.e. by using grants/philanthropy) to ensure the any funds from a wholesaler unlock the maximum amount of investment capital.
- Be able to provide discounted capital to intermediaries, to catalyse investment into the social impact investment market.
- Be structured to allow for recycling of capital to ensure the longevity and self-sustainability of the entity

## Funding

In order to create significant, long term social impact the wholesaler needs to be able to invest significant amounts into the intermediary market. A minimum commitment of \$500m is required.

## Social enterprise early-stage fund

### Recommendation

That the Australian Government establish a establish a fund or series of funds which would provide affordable capital and capacity building support to social enterprises.

### Rationale

Social enterprises trade in order to deliver public and community benefits. One common type of social enterprise is the work integrated social enterprise, which typically provides a stepping-stone to mainstream employment and employs those experiencing entrenched, long-term unemployment. This gives employees or trainees work readiness and transferable skills to move into the open labour market. This can create jobs and opportunities for people who might have struggled to find work, reinvigorate depressed communities and drive better business outcomes.

More than 20,000 social enterprises operate in Australia, employing more than 250,000 people.<sup>25</sup> One of the main barriers social enterprises face is limited access to the right mix of intellectual, financial and social capital, restricting their capacity for scalability and to create larger social impact, including employment. This early-stage gap was identified by the Taskforce as a barrier to social enterprises reaching sufficient maturity to attract mainstream investment.<sup>26</sup>

The Taskforce's Interim Report indicated that it expected to recommend additional support for social entrepreneurs to access early stage funding and contract readiness support in its Final Report.<sup>27</sup>

### Proposal

The Australian Government should establish a fund or series of funds which would provide affordable capital and capacity building support to social enterprises, potentially modelled along the lines of the UK's Access Foundation. This could involve:

- Government to facilitate a co-design process involving social enterprises, philanthropy, investors and intermediaries;
- Establishment of a funding pool (which would be split into smaller funds administered by different fund managers, i.e. intermediaries) to provide low interest, patient loans, with a particular focus on smaller, high-risk loans up to \$500,000. This would be potentially leveraged with private investor capital or philanthropic capital and administered by specialist intermediaries with the right networks, infrastructure and expertise. Associated with this package would be funding to help intermediaries cover the operating costs servicing small, often complex loans and providing hands-on support (historically a source of market failure);
- Establishment of grant funding to help social enterprises to pay for specialist support to help with impact measurement, financial modelling, legal structuring and capital raising support. This would essentially continue the work of the Sector Readiness Fund, which is funded through to 2021.

<sup>25</sup> Social Traders (2013) *Corporate Social Procurement in Australia Business Creating Social Value*

<sup>26</sup> PM&C (2020) *op. cit.* p36

<sup>27</sup> *ibid.* p41

## Funding

The exact cost of the Fund will depend on the outcomes of the co-design process. The funding components might include the following, with indicative quantum estimates:

- \$20-30m once-off Government funding as capital to be lent to social enterprises. This might be leveraged with private capital. It could recycle funds as they are paid by social enterprises and will diminish as social enterprises default.
- \$2-5m per year to cover the operational costs of intermediaries administering the loans
- \$2-5m per year to provide vouchers for capacity building supports.

## Next steps for SII in Australia

Beyond the work of the Taskforce and government's response, there are two areas of the SII market that we believe would benefit from additional Commonwealth engagement. Each of these has the potential to leverage government and private investment to achieve better social outcomes:

**Housing:** The Australian Government's social impact investing strategy could make a significant contribution to improving the shortage of social and affordable housing in Australia.

- By unlocking institutional-scale capital this would work to increase housing supply. In this case, the SII is not supported by a Government outcomes payment or by revenue derived from commercial activities, but by rent and capital gains. We are already seeing a version of this model at work in the development of Specialist Disability Housing (SDA).
- The levers available to both the Australian and State governments to stimulate new social and affordable housing include construction/ development costs; financing costs; financing terms; management rights transfer; planning regulations; income support; tax incentives; land costs; and land or stock ownership transfer. SVA is of the view that as the Australian Government develops its housing policy it should determine which combination of these levers will optimise social impact investing to deliver much needed new social and affordable housing stock in Australia.

**Social procurement:** While the Australian Government has sought to magnify economic and social outcomes from government spending under the Indigenous Procurement Policy (IPP), there are further opportunities to leverage existing Australian Government spending. This could involve the extension of IPP-style arrangements to other groups achieving social outcomes, such as employment-focused social enterprises. There is also opportunity to build social procurement requirements into large infrastructure contracts, as many States are now doing.

# Education and Early Years

## Developing ‘The Connection’ to grow excellence in regional, rural and remote education

### Recommendation

That the Australian Government invest \$6 million over five years to catalyse the creation of a \$34 million national collaborative ‘The Connection’ network of regional, rural, and remote (RRR) schools to improve learning outcomes for children in these communities.

The network will spread and develop evidence informed practice in teaching and school leadership that is designed for RRR education environments; and build a clear evidence base of approaches that are making a difference to students in RRR schools, particularly those experiencing disadvantage. The network, based on a successful SVA pilot model of 50 schools, will lift outcomes in over 500 RRR schools in areas experiencing disadvantage who are directly engaged in the project, and hundreds of others through diffusion and modelling of best practices.

### Rationale

Australia aspires to an excellent and equitable education system,<sup>28</sup> but many rural, regional and remote students, as well as those from communities experiencing disadvantage, do not have the same opportunities as their metropolitan counterparts.<sup>29</sup> Over 1.1 million children attend the 4,400 Australian schools outside metropolitan areas – 47 per cent of all schools in Australia.<sup>30</sup> Improving outcomes in these schools is a significant opportunity to improve Australia’s overall educational performance.

Quality school leadership is critical for improving student learning. The Independent Review into Regional, Rural and Remote Education (‘Halsey Review’) identified that attracting, developing, and retaining quality leaders is a major challenge for many RRR schools.<sup>31</sup> It found that many school leaders in RRR areas face challenges unique to their RRR status in delivering educational outcomes for students; and they require tailored support: *‘[...] More has to be done to recognise the diversity of contexts, challenges and opportunities of leading and teaching in RRR schools and communities, particularly how people are prepared and supported for such appointments.’*<sup>32</sup> AITSL research has similarly identified unique challenges for RRR schools.<sup>33</sup>

There are examples of excellent practice in RRR schools across Australia, but we currently lack the mechanisms to identify, develop, share and scale these practices more widely. Bringing local good practice to scale is increasingly recognised by international experts as a key mechanism for education system improvement. Andreas Schleicher, Director for Education and Skills at the OECD, recently found that *‘Education systems need to better identify key agents of change and champion them; and they need to find more effective ways of scaling and disseminating innovations.’*<sup>34</sup>

There is an important role for the Australian Government to play in improving educational outcomes in RRR schools, given the common challenges faced; the importance of equitable access for students regardless of location across State and Territory boundaries; and the benefits of operating at scale. The Halsey Review

<sup>28</sup> Education Council (2019) [Alice Springs \(Mparntwe\) Education Declaration](#)

<sup>29</sup> See Goss, P., Sonnemann, J., Chisholm, C., & Nelson, L. (2016), [Widening gaps: what NAPLAN tells us about student progress](#), Grattan Institute; Commonwealth of Australia (2019) [National Regional, Rural and Remote Tertiary Education Strategy](#) p.29; Productivity Commission (2020) [Report on Government Services 2020 Part B Table 4A.21 and Table 4A.71](#)

<sup>30</sup> Halsey, J. (2018) [Independent Review into Regional, Rural and Remote Education: Final Report](#) p.25

<sup>31</sup> *ibid.* p.17-18, 45-8.

<sup>32</sup> *ibid.* p.18

<sup>33</sup> AITSL (2018) [Exploring the opportunities and challenges of teacher professional learning in the early childhood, casual/relief and rural/remote teaching contexts - Findings report](#)

<sup>34</sup> Schleicher A (2018) [World Class: How to Build a 21st-Century School System](#), OECD Publishing.

identified the need for ‘a national focus for RRR education, training and research to enhance access, outcomes and opportunities in regional Australia.’<sup>35</sup> It also noted that the Australian Government has an interest in improving teacher and leader quality in schools, and has invested in several approaches to support this.<sup>36</sup>

School leaders understand the opportunities presented by sharing practice across state and system boundaries. One veteran principal participating in a collaborative network reported: ‘The value of the network is in the fact that it has been done across state boundaries, which is rare. Connecting across those boundaries, that’s powerful systems leverage. We have much more in common with some interstate schools than some of our local schools.’<sup>37</sup> Bringing together schools and school leaders from all jurisdictions and systems is an effective mechanism to accelerate and scale practices that work in RRR schools. It also ensures that students in small jurisdictions are not left behind. Only the Australian Government, by virtue of its national reach and convening ability, has the capacity to catalyse nation-wide change.

## Proposal

There is mounting Australian and international evidence that well-designed collaborative networking models are effective in driving system-level change and scaling innovation to lift performance across a system.

Over the last six years, SVA has developed and delivered The Connection (formerly the Bright Spots Schools Connection), a pilot collaborative networking initiative driving action across 50 schools in three states. Supported by states, systems and philanthropy, The Connection has supported leadership development as a means of improving student outcomes. The model has so far reached 50,000 students. One quarter of participating schools were in RRR areas.

- External evaluation of The Connection indicates a wide range of benefits, including improvements in student achievement and aspiration, and a greater sense of motivation in teachers and capacity building of school leadership teams. After three years, 97% of Connection schools reported that participation enabled new education practice. 100% of schools reported improved knowledge of effective practices and 75% of schools reported participation as driving change.<sup>38</sup> Evaluators found that: ‘The Connection is living evidence: a working model for system-wide school improvement and collaborative leadership development at a school, community and system level. It sets a distinctive example from which other education systems in Australia and beyond can learn, adopt and adapt practices to achieve the system-wide school improvement.’<sup>39</sup>
- Reports from school leaders involved in The Connection reflect these findings. For example, a RRR school leader in South Australia says that since joining The Connection in 2016, and using the network to implement project-based learning, the school has turned around declining enrolments and engagement: ‘We have had improved NAPLAN results for years 5 and 7 in Numeracy and Reading in recent years. [...]. Over the last three years instances of negative behaviour have reduced by 45%, and suspensions reduced by 59%. Our goal at Stirling North Public School is to build 21st Century skills in our students – to ask critical questions, reflect, collaborate, problem solve. We want our students to leave Year 6 with all the skills they need to become employable.’<sup>40</sup>

International experts are also reporting that collaborative networking models can accelerate and embed school- and system-level improvement. The OECD has recognised the role of networks in successful system design for supporting improvement in professional practice to deliver better student outcomes.<sup>41</sup> Education leaders at the Brookings Institution prioritise embracing and promoting networks as a way to scale deep change for system transformation as one of only three core recommendations for systems improvement alongside quality teaching.<sup>42</sup>

Online delivery of professional support is a cost-effective way of supporting RRR teachers to improve student outcomes. The Connection has the knowledge and infrastructure to deliver this.

<sup>35</sup> Halsey J (2020) op. cit. p5

<sup>36</sup> *ibid.* p17

<sup>37</sup> Principal Christine Cawsey AM, Rooty Hill High School NSW. See SVA (2020) Rooty Hill High School aims to create effective learners for life

<sup>38</sup> Singhania A, Hard N, & Bentley T (2020) The impact evaluation of SVA Bright Spots Schools Connection. Policy, Strategy, Impact, RMIT University.

<sup>39</sup> *ibid.* p xi

<sup>40</sup> Principal Adam Wilson, Stirling North PS, Port Augusta, SA, in SVA (2020) The Connection: Collaborative Leadership Network lifts education outcomes

<sup>41</sup> Révai N (2020) What difference do networks make to teachers’ knowledge? OECD Education Working Papers No. 215, OECD Publishing.

<sup>42</sup> Istance D & Paniagua A.(2019) Learning to Leapfrog: Innovative Pedagogies to Transform Education. Brookings Institution, Washington DC

- In response to the pandemic, the Connection rapidly shifted activity online. The digital model created more efficient and cost-effective access. It was more inclusive and convenient for connecting educators across geographies. Participants remained engaged and provided positive feedback - one national event held entirely online in November 2020 attracted a weighted quality rating of 9/10 from participants. The experience showed that geographical location is not a barrier to effective collaborative support. It enabled us to trial approaches that will support a successful transition to a hybrid online and face-to-face model in RRR schools.
- In parallel, the Connection team is working with Education Services Australia and other partners to develop a custom-designed collaboration platform. This will be operational by March 2021.

Across the life of The Connection, SVA has engaged with a range of professional education bodies to refine the model and share emerging findings, including AITSL, ESA, ACARA, ACEL, state-based principals' associations and international leadership institutes.

### Funding

\$6 million over five years (\$5.35 million over the forward estimates of FY22 to FY25) from the Australian Government would catalyse an expansion of The Connection collaborative network design to directly engage 560 schools in national collaborative practices, with the potential to influence and impact a further 1680 Australian RRR schools, or 2240 schools in total.

The requested Australian Government funds comprise around 18% of the model's total costs over five years. The investment will leverage \$2.6m from philanthropy and \$25.5 million from schools, systems and states in cash and in-kind contributions. The Australian Government's share of funding decreases each year as schools and systems step up their support and participation. After the five year funding period, the model is expected to be sustainable at this scale, so Australian Government funding would be time-limited.

Australian Government funds would be directed to enabling ongoing national participation, including:

- Evaluation, research, and codification of the distinctive model to inform national systems design and enable the spread of best practice nationally. This would consolidate and expand the evidence to inform implementation across Australia.
- Support further development of the online collaboration digital platform to provide inclusive access to schools and students regardless of location, while maintaining efficiency
- Investment in expanding and consolidating the SVA staff team with additional expertise and capacity to support the target school leaders at scaled level. This would establish the baseline capacity to underpin a long-term sustainable approach, while ensuring inclusive access across geographic boundaries.

### *Indicative total program cost (\$'000) from all sources over five years*

| Year  | FY22         | FY23         | FY24         | FY25         | FY26         | 5 years       |
|---|--------------|--------------|--------------|--------------|--------------|---------------|
| Aust Govt contribution  | 1,500        | 1,600        | 1,350        | 900          | 650          | <b>6,000</b>  |
| Other contributions   | 2,520        | 3,800        | 5,700        | 7,650        | 8,450        | <b>28,120</b> |
| <b>Total program costs</b>  | <b>4,020</b> | <b>5,400</b> | <b>7,050</b> | <b>8,550</b> | <b>9,100</b> | <b>34,120</b> |
| <b>Australian Government budget impact over the forward estimates</b> | <b>1,500</b> | <b>1,600</b> | <b>1,350</b> | <b>900</b>   | -            | <b>5,350</b>  |

# A National Aboriginal and Torres Strait Islander Early Years Intermediary

## Recommendation

That the Australian Government provide \$15 million over four years to fund a national Aboriginal and Torres Strait Islander early years intermediary to support the growth and development of the sector and ultimately improve the health and wellbeing of Aboriginal and Torres Strait Islander children. This will enable early childhood services to be supported and represented as well as enable them to deliver high quality and accessible services to Aboriginal and Torres Strait Islander children and families across Australia.

## Rationale

Aboriginal and Torres Strait Islander children attend early learning at ~75% the rate of other Australian children, with dosage and duration of enrolments estimated as even lower. This low level of participation is due to a range of access barriers that prevent families from participating in early education. These include barriers across four key domains: individual; service; social and neighbourhood; and cultural.<sup>43</sup>

There are several factors critical to addressing access barriers for Aboriginal and Torres Strait Islander children and families including local ownership of programs, employment of local people, and incorporation of culture within services.<sup>44</sup> In this context, Aboriginal and Torres Strait Islander community controlled early years services are uniquely placed to boost access and deliver high quality learning and development opportunities for Aboriginal and Torres Strait Islander children. They are also well placed to provide integrated supports for children and families. An evaluation of nine Aboriginal Child and Family Centres (ACFC) estimated that 78% of children attending the service had never previously attended an early learning service and 65% of families using NSW ACFCs had not used services before.<sup>45</sup> The 2014 evaluation of the National Partnership Agreement on Indigenous Early Childhood Development found that ACFCs were responsible for increasing access to health and education services for Aboriginal and Torres Strait Islander children and families in all state and territories.<sup>46</sup>

There are less than 100 community controlled integrated early years services across Australia, (including some run by mainstream organisations and state/territory governments) however those that do exist face significant operational and systemic challenges that impact on their capacity to deliver accessible, high quality services.<sup>47</sup>

Over more than ten years, there has also been a significant amount of reform which has disrupted these services and impacted their ability to deliver high quality services and provide access across the community. These include changes to funding (moving away from dedicated funding to the national Child Care Package) as well as the removal of targeted supports and services (e.g., the federally funded Indigenous Professional Support Unit teams). While other sectors such as health and child and family welfare have community-controlled peaks to support and represent services in some or all jurisdictions, this has not been the case for the early years sector. SNAICC – National Voice for our Children (the national peak body for Aboriginal and Torres Strait Islander children) has also not been funded as an early years peak nationally.

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<sup>43</sup> SNAICC and Early Childhood Australia (2019) Ensuring equality for Aboriginal and Torres Strait Islander children in the early years: discussion paper.

<sup>44</sup> *ibid.*

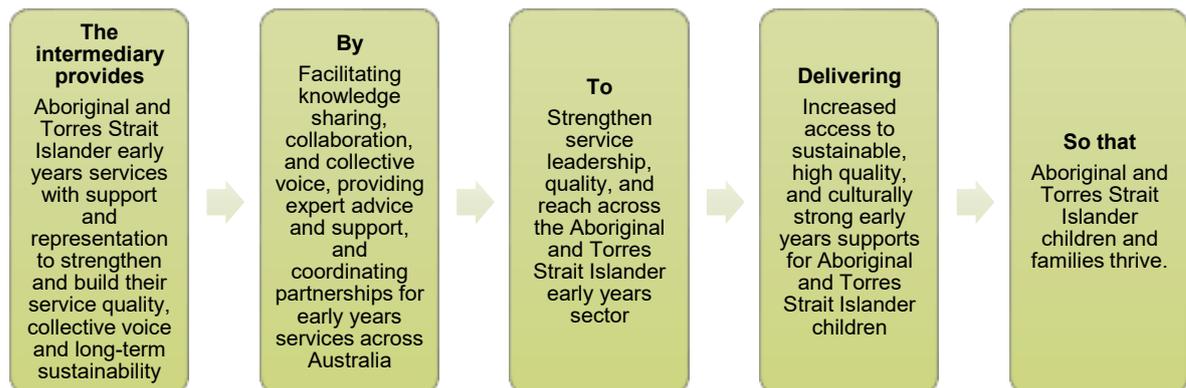
<sup>45</sup> CIRCA. 2014. Evaluation of NSW Aboriginal Child and Family Centres, Sydney: NSW Department of Family and Community Services, available at <https://www.circaresearch.com.au/wp-content/uploads/CIRCA-Final-Evaluation-Full-report-Final-for-publication-14-Oct-2015.pdf>, pp. 29,31.

<sup>46</sup> Urbis (2014). Evaluation of the National Partnership Agreement on Indigenous Early Childhood Development. Sydney, NSW: Urbis.

<sup>47</sup> SNAICC & Social Ventures Australia (2020) Aboriginal and Torres Strait Islander access to early learning project. Feasibility Study: Final Report (31 July 2020)

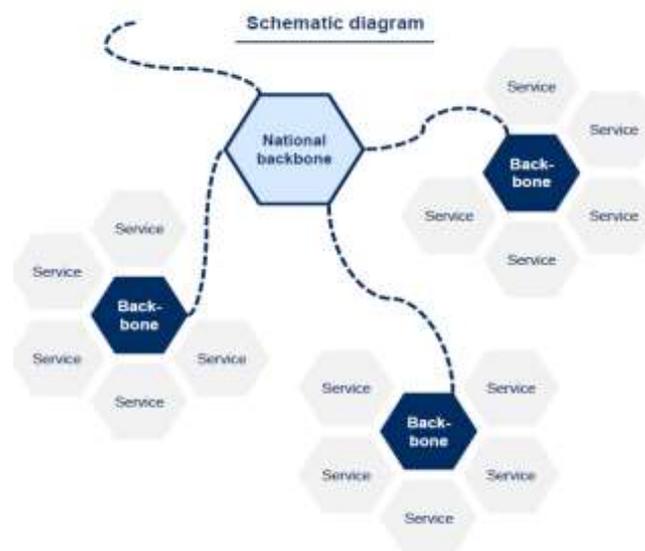
## Proposal

**The Goal:** A national intermediary model to support and represent Aboriginal and Torres Strait Islander early years services to deliver high quality, responsive and accessible services to Aboriginal and Torres Strait Islander children and families across Australia.



SNAICC as the national peak body for Aboriginal and Torres Strait Islander children, would lead the establishment of a national intermediary or ‘backbone’ model, with technical support of Social Ventures Australia, to support and represent Aboriginal and Torres Strait Islander early years services to deliver high quality, responsive and accessible services to Aboriginal and Torres Strait Islander children and families across Australia. This would involve the establishment and operation of a national unit within SNAICC as well as backbone networks within each state and territory over a four- year period.

Work has been underway on the development of such a model over the past 12 months. A Feasibility Study assessed a number of models, with the below model being the preferred option, developed in consultation with the sector.



Significant consultations and research have identified a number of potential supports and functions that could be offered through the national model (and tailored to local contexts):

- Networking and service integration
- Program and education design
- Monitoring and evaluation support and capacity building
- Aboriginal & Torres Strait Islander workforce development
- Support to develop and consolidate governance and management models
- Back office support
- New service design and set up
- Advocacy support

SNAICC would auspice the national model and coordinate the work of state-based backbones, provide targeted and specialised expertise and advice to services, and support representation at the national level. The initiative supports 'emerging early years peaks' in each state/territory implementing Priority Reform 1 of the Closing the Gap Agreement 2020.

There are a number of leading examples of intermediary support services in the early childhood and other community and health service sectors that have been effective in building the capacity of Aboriginal and Torres Strait Islander services. In particular, The Institute of Urban Indigenous Health (IUIH), was recently assessed as highly effective in an independent evaluation.<sup>48</sup> Established in 2009 by four Community Controlled Health Services in South East Queensland, it now has an annual turnover of \$86 million, has 60 per cent Indigenous staff, supports over 20 health clinics and leads the planning, development and delivery of comprehensive primary health care services to 50 per cent of the Indigenous population in the region.

The theory of change for this initiative identifies a range of anticipated outcomes, including:

- Increased number of Aboriginal and Torres Strait Islander early learning services;
- Improved quality of these services, as measured under the National Quality Framework;
- Improved integration and sustainability of these services;
- Increased participation of Aboriginal and Torres Strait Islander children in early learning and integrated health and family supports; and
- Improved alignment between federal and state policies and Aboriginal and Torres Strait Islander early childhood and sector needs.

Over the longer term, we anticipate improved development and wellbeing outcomes for Aboriginal and Torres Strait Islander children and families such as starting school developmentally ready as measured under the Australian Early Development Census.

This proposal has emerged from a joint collaboration between Social Ventures Australia and SNAICC – National Voice for our Children.

## **Funding**

\$15 million is sought from the Australian Government for the national model over four years. This includes funding for establishment and operation of 7 state-based services, and employment of 30 staff by year 3.

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<sup>48</sup> Nous Group (2019) History and Performance: Charting the Way Forward: Independent Review of The Institute for Urban Indigenous Health

## Intensive early education and care trials for children experiencing significant family stress and social disadvantage

### Recommendation

The Australian Government should provide funding of \$10 million over 4.5 years (\$9.15 million over the forward estimates) for four Early Years Education Program (EYEP) replication sites to build the evidence base on this ground-breaking program across diverse contexts, build sector capability to support children experiencing disadvantage and improve the life-long wellbeing of children experiencing disadvantage.

### Rationale

Vulnerability and social disadvantage are complex and are the product of the interaction between many risk and protective factors within children's environments. Currently 22% of Australian children are developmentally vulnerable on 1 or more domains by the time they start school, increasing to 33% for children from low socio-economic areas and doubling for First Australians.<sup>49</sup> 1 in 6 Australian children live in poverty<sup>50</sup> and approximately, 50,000 children under 5 receive child protection services annually.<sup>51</sup> The cost to government of late intervention is estimated at \$15.2 billion per year, including \$5.9 billion per year in child protection.<sup>52</sup>

There is a growing body of evidence on how to support children in transcending disadvantage and realising their potential. The strongest evidence supports participation in evidence-based quality early learning programs<sup>53,54,55,56</sup> with a recent study confirming a 13 per cent Return on Investment for every dollar spent on early learning.<sup>57</sup> For children living with significant and multiple vulnerabilities and risk factors, there is powerful evidence for a targeted 'intensive care' early childhood education and care (ECEC) model where the program elements, dosage and duration of the intervention are able to redress harms, overcome the effects of trauma, reduce toxic stress levels and enable children to learn in partnership with their families.<sup>58</sup>

Quality intensive ECEC programs can support young children to achieve optimal emotional and behavioural regulation through attachment-based, trauma-informed pedagogy, relationships and interactions. The program with the highest quality evidence and most positive outcomes to date is the EYEP, which was undertaken as a multi-disciplinary Randomised Control Trial (RCT) and was the first of its kind in Australia.<sup>59</sup>

EYEP is a targeted, holistic, quality ECEC intervention program that involves direct interaction with a child to address his or her identified needs, reverse developmental delays, and reduce the impact of risk factors and adverse events. It draws on and embeds the professional knowledge and skills of early education, infant mental health and family support.

Key features of the program are:

- Children participating in the trial were aged from birth to 3 years and were from families experiencing significant disadvantage and stress;
- children had sustained attendance in the program for 5 hours a day, 5 days a week for three years at no cost to families; and

<sup>49</sup> Australian Early Development Census (AEDC) (2019). Australian Early Development Census National Report 2018, Commonwealth of Australia: Canberra.

<sup>50</sup> Davidson, P., Saunders, P., Bradbury, B. and Wong, M. (2018), Poverty in Australia, 2018. ACOSS/UNSW Poverty and Inequality Partnership Report No. 2, Sydney: ACOSS.

<sup>51</sup> Australian Institute of Health and Wellbeing (2020). Child protection Australia 2018–19. Child welfare series no. 72. Cat. no. CWS 74. Canberra: AIHW.

<sup>52</sup> Teager, W. Fox, S. and Stafford, N. (2019). How Australia can invest early and return more: A new look at the \$15b cost and opportunity. Early Intervention Foundation, The Front Project and CoLab at the Telethon Kids Institute, Australia, 2019.

<sup>53</sup> Black, M. M., Walker, S. P., Fernald, L. C. H., Andersen, C. T., DiGirolamo, A. M., Lu, C., ... Grantham-McGregor, S. (2017). Early childhood development coming of age: Science through the life course. *Lancet Series Advancing Early Childhood Development: From Science to Scale*, 389 (10064), 77–90.

<sup>54</sup> Britto, P. R., Lye, S. J., Proulx, K., Yousafzai, A. K., Matthews, S. G., Vaivada, T. Bhatta, Z. A. (2017). Nurturing care: Promoting early childhood development. *Lancet*, 389(10064), 91–102.

<sup>55</sup> Moore, T., Arefadib, N., Deery, A., & West, S. (2017). *The First Thousand Days: An Evidence Paper*. Parkville, Vic.: Centre for Community Child Health, MCRI.

<sup>56</sup> Early Learning: Everyone Benefits. (2017). State of early learning in Australia 2017. Canberra, ACT: Early Childhood Australia.

<sup>57</sup> Jorge Luis García, James J. Heckman, Duncan Ermini Leaf, and María José Prados. (2017) Quantifying the Life-cycle Benefits of an Influential Early Childhood Program. National Bureau of Economic Research Working Paper Series. Working Paper 23479. June 2017, February 2019 draft.

<sup>58</sup> Shonkoff, J. P. (2011). Protecting brains, not simply stimulating minds. *Science*. vol. 333, no. 6045, pp. 982-3. <https://doi.org/10.1126/science.1206014>.

<sup>59</sup> Jordan, B; Tseng, Y P; Coombs, N; Kennedy, A. and Borland, J. (2014). Improving lifetime trajectories for vulnerable young children and families living with significant stress and social disadvantages: The early years education program randomised controlled trial. *BMC Public Health*, 14: 965.

- children in the control group were able to access 'usual' care including long day childcare or family day care.

After one year, the children who received the intervention had a significant increase in their IQ compared to the control group. After two years of participation the children who received the intervention had an average seven point increase in their IQ scores, higher resiliency scores and the proportion of children classified in the clinical range for social and emotional problems was lower by 29.2 percentage points compared to the children in the control group.<sup>60</sup> With children both in the control and intervention group both accessing the Aboriginal Community Controlled Service (ACCS), the EYEP program offers a powerful strategy to leverage the ACCS expenditure more efficiently while providing for better outcomes for children.

This model needs to be applied in different contexts to test the ground-breaking findings of the trial. Further testing and research will provide deeper understanding of how to support application in diverse locations as well as the operational and funding requirements to deliver service provision at scale while ensuring program fidelity and the same level of impact for participating children.

The impacts of the results of EYEP are exceptional given the critical role the early years of a child's life plays in shaping long-term health, development, education, employment and wellbeing outcomes.<sup>61,62,63</sup> Prolonged exposure to physical, emotional and/or sexual abuse and traumatic experiences early in life has been identified as causing profound long-term adverse effects on children's brain development.<sup>64,65,66</sup> Compromised development of cognitive and social skills early in life can lead to entrenched disadvantage in later years, significantly increasing the risk of poor physical and mental health; low educational attainment; increased interaction with the criminal justice system; and low income.

## Proposal

We recommend the Australian Government fund the establishment and operation of four EYEP replication sites over four and a half years to improve the evidence base on intensive ECEC interventions and transform lifetime trajectories for participating children experiencing disadvantage.

An Implementation Hub should be established to provide oversight of the replication partnerships and processes. The deeply respected and eminent Early Years Education Research Program team (EYERP) who led the EYEP trial should work closely with and support the work of the Implementation Hub.

The EYEP Implementation Hub will be responsible for the overall governance, planning and coordination of replication approvals and processes as well as building sector capability. The Hub will also support further replication sites and increase scale of EYEP provision based on evaluations of the site replications.

The first two sites proposed are Logan, a Federal Government Stronger People Stronger Places program partner, with coordinating and leadership support from Logan Together, a community movement to improve outcomes for children from birth to eight, which is committed to replicate EYEP in Logan. The second two sites are proposed in Victoria (locations to be confirmed). Sites 1 and 2 would be operational in FY22 and sites 3 and 4 operational in FY23. By FY24/25, all four sites would be operational, with sites 3 and 4 operating for 6 months in FY26.

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<sup>60</sup> Tseng, Y., Jordan, B., Borland, J., Coombs, N., Cotter, K., Guillou, M., Hill, A., Kennedy, A., Sheehan, J. (2019). Changing the Life Trajectories of Australia's Most Vulnerable Children - Report No. 4. 24 months in the Early Years Education Program: Assessment of the impact on children and their primary caregivers, University of Melbourne, Melbourne.

<sup>61</sup> Black, M. M., Walker, S. P., Fernald, L. C. H., Andersen, C. T., DiGirolamo, A. M., Lu, C., ... Grantham-McGregor, S. (2017). Early childhood development coming of age: Science through the life course. *Lancet Series Advancing Early Childhood Development: From Science to Scale*, 389 (10064), 77–90.

<sup>62</sup> McCain, M. N., Mustard, J. F., & Shankar, S. (2007). *Early Years Study 2: Putting science into action*. Ontario, Canada: Council for Early Childhood Development.

<sup>63</sup> Shonkoff, J. P. (2011). Protecting brains, not simply stimulating minds. *Science*, vol. 333, no. 6045, pp. 982-3. <https://doi.org/10.1126/science.1206014>.

<sup>64</sup> National Scientific Council on the Developing Child. (2020). *Connecting the Brain to the Rest of the Body: Early Childhood Development and Lifelong Health Are Deeply Intertwined: Working Paper No. 15*. Retrieved from [www.developingchild.harvard.edu](http://www.developingchild.harvard.edu)

<sup>65</sup> Center on the Developing Child at Harvard University (2016a), *Applying the Science of Child Development in Child Welfare Systems*, accessed at: <http://www.developingchild.harvard.edu>

<sup>66</sup> Shonkoff, J.P. (2012), 'Leveraging the biology of adversity to address the roots of disparities in health and development', *Proceedings of the National Academy of Sciences*, 109(Supplement 2), 17302-07.

Anticipated outcomes over the 4.5 years include:

- 476 young children from families experiencing significant disadvantage and stress have significantly improved developmental outcomes, and start school ready and thriving by completing the three year program;
- The sites would employ four coordinators and four pedagogical/educational leaders; 64 educators (16 at each site), four infant mental health clinicians and four family support workers have deep expertise and experience in EYEP;
- the program will add to the evidence-base by providing further understanding of conditions for success and requirements for scaling of EYEP.

Data from the Australian Early Development Census (AEDC) on children at the time of commencing school reveal the stark developmental gaps that exist especially for children who have experienced significant family stress and social disadvantage.<sup>67</sup> However, the right partnerships and relatively minor investment compared with later costly remediation could redress this disadvantage and see significant improved outcomes for the most vulnerable children in Australia.

## Funding

Approximately \$10 million is required over 4.5 years (\$9.15 million over the forward estimates) to establish and implement operate four EYEP replication sites from July 2021 – December 2025.

### *Indicative program costs (\$,000) over five years*

| Year  | FY22         | FY23         | FY24         | FY25         | FY26       | 5 years       |
|---|--------------|--------------|--------------|--------------|------------|---------------|
| Establishment costs   | 1,100        | 1,100        | -            | -            | -          | 2,200         |
| Block funding   | -            | 570          | 1,130        | 1,130        | 570        | 3,400         |
| Implementation Hub  | 730          | 730          | 730          | 730          | 360        | 3,280         |
| Evaluation  | -            | -            | 600          | 600          | -          | 1,200         |
| <b>Total costs</b>  | <b>1,830</b> | <b>2,400</b> | <b>2,460</b> | <b>2,460</b> | <b>930</b> | <b>10,080</b> |
| <b>Australian Government budget impact over the forward estimates</b> | <b>1,830</b> | <b>2,400</b> | <b>2,460</b> | <b>2,460</b> | <b>-</b>   | <b>9,150</b>  |

Please note that these are initial budget estimates which will be refined and finalised in consultation with funding partners.

<sup>67</sup> Australian Early Development Census (AEDC) (2019). Australian Early Development Census National Report 2018, Commonwealth of Australia: Canberra.

# Income Support

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## Recommendation

The Australian Government should retain JobSeeker and other payments at a higher level to ensure that all Australian families can access and provide the essentials needed for their children to thrive.

## Rationale

As a nation, the best way to ensure our long-term prosperity in uncertain times is to invest in the future of our children, and their mums, dads and guardians. Our children's best interests should be at the heart of our policy responses. While the extension of the Coronavirus Supplement is welcome, the lower rate represents a significant drop in incomes for people who are unemployed. A higher rate of payment must be made permanent to reduce developmental delays, poor educational and health outcomes, and long-term reliance on social welfare for the children of payment recipients.

The early years shape the rest of a child's life, with childhood poverty a significant risk factor for poorer outcomes in adulthood. Financial stress and hardship within a family environment can negatively disrupt multiple biological systems and significantly undermine a child's physical, social and emotional development. However, well-targeted income support payments ensure families aren't trapped in poverty. They give parents and guardians the opportunity to make choices that unleash their children's potential and realise their aspirations as they grow up.

Individuals on low incomes are also more likely to spend additional income and hence reinvest in the economy rather than save the money. Immediate financial support has also been identified as the most pressing need for individuals approaching charities; the previous Newstart payment was inadequate to meet basic living costs.

We have seen a significant difference made to children's lives by having an adequate payment rate through the Coronavirus Supplement. This has enabled children's parents and guardians to buy necessities, like fresh fruit and vegetables, and access medical care. Every child in Australia should have access to these essentials throughout their childhood, not just during the current crisis.

## Proposal

SVA supports the Australian Council of Social Services' (ACOSS) position that there should be a permanent and adequate increase to JobSeeker and related payments (such as the Parenting Payment) to ensure everyone can cover the basic cost of living. This includes single parents, who need a Single Parent Supplement to cover their additional costs, as well as restoration of wage indexation to the Family Tax Benefit.

## Funding

In line with ACOSS's position, the Australian Government should permanently increase JobSeeker and related allowance payments to an adequate and fair level. The doubling of the \$287 per week JobSeeker Payment acknowledges that the previous payment was significantly inadequate. The Australian Government should increase JobSeeker and related income support payments to the level of pension rates. This would see an increase of \$185 per week for single adults on a Jobseeker payment and an increase of \$238 for single people on Youth Allowance, Austudy and Abstudy Payments.

A permanent boost to people on low incomes, especially those who are unemployed, is the most cost-effective and efficient way to alleviate the pressure on families who are currently unable to provide for their children's basic needs as well as strengthen consumer demand and sustain growth in jobs and incomes, especially in the parts of the country most affected by higher unemployment.