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Inquiry into Finance for the not for profit sector

Life Without Barriers (LWB) appreciates the opportunity to provide a submission to the Senate Economics Committee Inquiry into Finance for the not for profit sector.

LWB is a not-for-profit, non-government organisation committed to challenging systemic disadvantage and supporting vulnerable and marginalised people to reach their full potential.

The organisation offers a range of programs and services to support disadvantaged communities including:

- **Family Support and Out-of-Home Care;** we provide safe, stable and loving homes to vulnerable children and young people who cannot live with their families.
- **Disability Services;** We work with people with a disability, their families and carers to break down social exclusion to engage meaningfully with their communities.
- **Homelessness;** We work assertively to form relationships with people who are homeless, and leverage these relationships to link people with housing, health, education and employment and turn their lives around.
- **Mental Health;** We work with people with a mental illness to promote and foster their recovery and to lead full and happy lives.
- **Youth Justice;** We support young people and their family to break the offending cycles and become valued members of their community.
- **Refugee and Asylum Seeker support;** We provide support and protection to children and young people who arrive in Australia seeking asylum without a parent or guardian.

LWB supports almost 5000 people with high and complex needs. Our services are delivered across urban, regional and rural centres in every state and territory in Australia as well as through areas of New Zealand.

The increase in, and diversification of funding is an important priority for the not-for-profit sector. Whilst Government funding is crucial for the delivery of safe, secure day-to-day case work support, budget constraints limit the capacity for NGOs to invest in additional and/or innovative models of service delivery.

Extensive research demonstrates the effectiveness of early intervention programs for children and young people at risk.¹ These programs reduce the likelihood of a “self-perpetuating pattern of expenditure” for Government by improving social outcomes and decreasing the costs necessary for crisis interventions.²

The introduction of Social Impact Bonds is a pioneering way of explicitly linking funding to outcomes for vulnerable populations. These financing instruments are a groundbreaking way for not-for-profit organisations to establish different funding sources and enable innovation in service delivery and scale in operations.³

With the announcement of a NSW Social Benefit Bond trial, LWB has undertaken extensive work in anticipation of this tender process. Earlier this year, LWB engaged Deloitte and Masters of Management Students at The University of Sydney to model the current child protection system and the use of Social Impact Bonds as a diversified source of funding.

The Report on Government Services 2011 illustrates NSW has the highest proportion of children and young people coming into care than any other Australian jurisdiction, with more than half all children in care across the country coming from NSW.⁴ Children and young people in care have the poorest life outcomes of any group of children across a range of indicators including educational, employment and health.⁵ These factors suggest that child protection is a key area of concern for Government and would represent a priority area for a pilot Social Benefit Bond.

¹ Guralnick, M.J. (2008) *International Perspectives on Early intervention*, Journal of early Intervention, Volume 30, No. 2.

² Social Finance (2009) *Social Impact Bonds: Rethinking finance for social outcomes*, Social Finance Limited

³ Social Finance (2009) *Social Impact Bonds: Rethinking finance for social outcomes*, Social Finance Limited

⁴ Report on Government Services 2011 http://www.pc.gov.au/data/assets/pdf_file/0020/105356/072-chapter15.pdf Table 15A.16

⁵ Create Foundation (2010) <http://www.create.org.au/news-and-events/kids-in-care-without-a-road-map>

Forecasted on the application of Multisystemic Therapy (MST) for which LWB is a network partner of since 2009, a cost avoidance of \$32.78 million dollars over 5 years and \$88.83 million dollars in 15 years for Government was estimated. This is in addition to improved social outcomes including reduction in the rates of recidivism, benefits to education and its subsequent contribution to the economy as well as greater community engagement and cohesion.

Following this work, LWB has entered into a partnership with Social Finance to explore the development, implementation and operation of a Social Benefit Bond pilot which works to assist at risk and highly vulnerable families to provide safe and stable care for their children.

MST is one of the most extensively validated and widely transported evidence-based psychosocial treatments targeting young people who have serious behavioural problems or who are at imminent risk of out-of-home care placement. MST CAN is a modification of MST. It targets and treats parents who have abused or neglected their children.

According to the Johnson Report,⁶ Australia is geared to become the financial hub in the Asia-Pacific region through innovation and financial market integration in the coming years. The focus on preventative measures and new funding solutions that are promoted by Social Impact Bonds are well in line with this vision. For Governments, Social Impact Bonds are structured to balance risk by transferring this to non-government investors. Social Impact Bonds will thus enable government bodies to concentrate on defining social priorities and on delivering outcomes that drive change.⁷

The re-financing risk is the dominate factor that will determine the feasibility and market readiness before mass introduction of Social Impact Bonds. The Centre for Social Impact 2011 *Report on the NSW Government Social Impact Bond Pilot* confirmed that there is an interest amongst investors for the use of SIBs.⁸ The construction, issuing and operation of a Social Impact Bond are however heavily dependent on the robustness of evidence and

⁶ Report by the Australian Financial Centre Forum (2009) *Australia as a Financial Centre: Building on our Strengths*, [Online], Available: http://cache.treasury.gov.au/treasury/afcf/content/final_report/downloads/AFCF_Building_on_Our_Strengths_Report.pdf, retrieved on 27-September-2011.

⁷ Social Finance (2009) *Social Impact Bonds: Rethinking finance for social outcomes*, Social Finance Limited

⁸ Centre for Social Impact (2011) *Report on the NSW Government Social Impact Bond Pilot*

measurement of the efficacy of program interventions. This in essence underpins the contract between all key agencies involved and will allow the accumulation of baseline data that will be necessary to pursue Social Impact Bond funding in a more mature market.

There is a great importance for the first pilots of Social Impact Bonds to deliver improved social outcomes. This outcome is likely to determine the additional capital injected by investors to fund Social Impact Bonds in a mature market.

Ongoing work around Social Impact Bonds will continue to be a key driver for innovation for LWB. This work has been included as a deliverable in the 2011-2012 Business Plan. LWB will continue to position ourselves strategically as a lead agency in Australia for a Social Impact Bond.

For questions related to this submission please contact Kylie Gwynne, National Director, Strategy and Change on (02) 9508 4128.

Yours sincerely

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