

Senate Economics References Committee

Finance for the Not-for-Profit Sector

Social Investment Case Studies

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Contains case studies:

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The Centre for Social Impact (CSI) is a partnership between the business schools of the University of New South Wales, the University of Melbourne, Swinburne University of Technology and The University of Western Australia. CSI's mission is to create beneficial social impact in Australia through teaching, research, measurement and the promotion of public debate. It brings together the committed hearts and business heads of the philanthropic, not-for-profit, private and government sectors in pursuit of social innovation. It provides socially responsible business management education and research in the common cause of building a stronger civil society for Australia.

I. Demand for Capital: The Social Business 'Pipeline'

Mission Australia and Social Enterprise

Mission Australia has been involved in establishing and nurturing a series of successful social enterprises. The role of Mission Australia includes hosting, providing capital, providing access to networks, administrative support and access to leadership expertise to these social businesses. They include:

Soft Landing Mattress Recycling¹: Soft Landing recycles and refurbishes discarded mattresses and represents an innovative, integrated collaboration of industry, community and government (including funding from the Department of Education, Employment and Workplace Relations' Jobs Fund). The enterprise aims for financial viability while working towards environmental sustainability, improving access to sustainable employment and education pathways for people in Wollongong.

Charcoal Lane²: In 2006, Mission Australia established Charcoal Lane, a high-quality restaurant that provides work experience, hospitality training and supportive environment to enable Aboriginal and disadvantaged young people to transition to mainstream employment. The Charcoal Lane program also includes developing personal skills and accredited education in hospitality. It describes its mission as "reconciliation and understanding through food".

Feather Weight³: Soon to be established in Bellambi, NSW, Feather Weight will manufacture punching bags and protective sports equipment, including tackle bags, hit shields and goal post pads. The enterprise will train and employ up to 11 job seekers with disabilities in recycling services, giving them the support they need to achieve accredited training in Certificate II in waste management. The social enterprise has been allocated \$600,000 from the federal government's Innovation Fund.

Charitable Bonds: Chris O'Brien Lifehouse at RPA⁴

The Chris O'Brien Lifehouse at RPA will be an integrated cancer centre incorporating patient care and treatment, research and integrative and complementary medicine facilities. A Charitable Bond was developed and proposed in 2010 that aimed to raise \$35 million to accelerate the development and construction of this project.

Charitable bonds offer a means of investment blending financial, community and social returns. The bond offered by the Chris O'Brien Lifehouse at RPA bond involved a fixed term deposit (6-8 years) of minimum \$20,000, which was open to superannuation funds. The bonds offered an interest rate of 5-8 percent paid bi-annually with the project estimated to generate an internal rate of return of 6-6.2 percent over the six to eight year term. The initial charitable bond offer for Lifehouse at RPA closed in early December 2010.

¹ Information adapted from Soft Landing Website: <http://www.softlanding.com.au/>

² Information adapted from Charcoal Lane Website: <http://www.charcoalane.com.au/>

³ http://www.deewr.gov.au/ministers/ellis/media/releases/pages/article_110629_163927.aspx

⁴ Information adapted from Chris O'Brien Lifehouse website:

<http://www.lifehouserpa.org.au/uploadedFiles/Tiles/Text/YAR%20Lifehouse%20Term%20Flyer%20%5BPrint%20v3%5D.pdf>

Social Bonds: The Benevolent Society's Apartments for Life⁵

The Apartments for Life⁶ proposal offers a new and innovative approach to providing affordable and quality housing, care and support for older people. Based on the successful Humanitas⁷ model from the Netherlands, Apartments for Life will offer 128 apartments specifically designed for older people, in two medium-rise buildings and a smaller building in Bondi, NSW. The project features age-friendly design; interaction with the surrounding community; care advice; community support; affordability and community and family interaction. The project is being developed with the aim that 95% of residents will be able to stay in their own apartment until the end of their life, reducing the cost burden of placing older people in hostels or nursing homes and the negative impacts on older people of moving house and losing independence.

A number of options are available to ensure affordability of the apartments to local people from a range of financial circumstances: 10 percent of apartments will be rented to low income older people, and an additional 30 percent of apartments will be offered at discounted prices.

The Benevolent Society is currently formulating a social bond that will assist in raising the start-up capital required for the project, and will offer a modest return to investors. The bond hopes to raise \$10 million, providing a 5 percent return per annum. The project is estimated to provide a social benefit valued at \$30 million through extending active independent life and avoiding hospitalisations and high level care.

Hepburn Community Wind Park Co-operative⁸

The Hepburn Community Wind Park is Australia's first community owned wind farm. The Hepburn Community Wind Park will be owned and operated by the Hepburn Wind Co-operative Ltd, a community owned co-operative based on the success seen in similar programs in Europe.

Through a share offer, Hepburn Community Wind raised more than \$7.5 million from 1,100 co-operative members which, combined with a \$3.1 million financing facility from Bendigo Bank and a \$975,000 grant from the Victorian Government's Renewable Energy Support Fund. In May 2010 Hepburn issued a further share offer to raise an additional \$1.8 million.

The co-operative had nearly 1,700 members as of July 2011, who have contributed more than \$8.7 million to build the farm. After raising the required capital, the project is open for investment from Victorian residents; additional capital raised will be used to pay down debt. The Park began generating energy in June 2011.

The co-operative model ensures that control and financial benefits of the Park remain in local hands. It also offers many benefits to the local community. Profits generated from the Park will be distributed annually to the co-operative members and the project will also distribute money annually to fund community programs. Community involvement in the project provides opportunities for developing leadership and organisational skills, for further community education and for encouraging collaborative efforts toward sustainable development.

⁵ Information adapted from <http://www.bensoc.org.au/director/whatwedo/olderpeople/oceanstsite.cfm>

⁶ <http://www.bensoc.org.au/director/whatwedo/olderpeople/oceanstsite.cfm>

⁷ <http://www.bensoc.org.au/director/whatwedo/olderpeople/oceanstsite/humanitasfoundation.cfm>

⁸ Information adapted from the Hepburn Community Wind Park website <http://hepburnwind.com.au/>

West Belconnen Health Co-operative⁹

West Belconnen Health Co-operative Ltd was formed in November 2006 to address community demand for affordable GPs in a disadvantaged area on Canberra's northern fringe. Based on credible business feasibility studies and consultation, the co-operative model was considered the most effective approach to meeting its dual vision: "working together for better health and increased community strength". The co-operative integrates social and economic objectives and provides mutual and democratic control over the enterprise.

Set-up funding for the co-operative was achieved through a community, federal, territory and local business partnership. The co-operative hopes to achieve viability through bulk-billed Medicare rebates, fees for other services and rental income from co-located services.

The Health Co-operative saw rapid growth in membership to 5,500 in November 2010. The co-operative is open in two locations: Charnwood and Totterdell Street, Belconnen.

Family-by-Family¹⁰

Launched in April 2011 by The Australian Centre for Social Innovation (TACSI), the Family-by-Family model is based on a network of families helping families. The program aims to "reduce the number of families coming into contact with crisis services, and enable more families to thrive". The program takes a unique approach by taking the family as a unit of focus, with whole families being used as primary service deliverers and professionals playing a support role only. Moreover, the approach is generative: the more families that pass through the program successfully, the more resources are available to help other families.

The importance of this project is underlined by the economic and social costs of intervening in families at crisis point. TACSI suggest that alternative care of children can cost up to \$150,000 per year and that the long term cost of child abuse and neglect to Australia is \$1,944 million per year. For the cost of three children in alternative care each year, the Family by Family project can operate in a local community and work with close to 100 families.

Consultation with key players including 100 families, government (state and local), not-for-profit organisations and academics was incorporated into the initial scoping, design, and prototyping of the project. The funding mix for the project includes that from government, not-for-profits and philanthropic foundations.

⁹ Information adapted from the West Belconnen Health Co-operative website <http://www.westbelconnenhealth.coop/>

¹⁰ Information adapted from Family-by-Family website <http://familybyfamily.org.au/>

2. Supply of Capital

Social Investment: AMP Capital Community Infrastructure Fund¹¹

This Fund focuses on providing investors with “the opportunity for stable, long term returns through the investment in an unlisted portfolio of high quality Private-Public Partnership style social infrastructure assets”¹². The assets focussed on include Private-Public Partnership in the areas of education, health, justice, defence, community housing, recreational facilities, transport and other social infrastructure sectors. Asset income is primarily derived from long term, CPI-linked concession arrangements with government entities.

Social Investment: Christian Super Fund¹³

The Christian Super Fund¹⁴ has a strict mandate to uphold high environmental, social and governance standards in all of its investments (all five of the Fund’s superannuation investment options are subject to ethical screening). The fund has around \$30 million invested in positive impact assets.

“Although we seek investments with high social value, we also have a fiduciary duty to our members to maximise their financial returns and minimise risk. It is in our interest therefore, that a robust capital market for social economy organisations be developed so that we can mitigate some of the risks currently existing in the sector”.

The Fund invests in traditional asset classes where investments are subject to both positive and negative screening: seeking “investment opportunities that provide both strong investment returns and a valuable contribution to society and the environment”.

The Fund is also extending its impact investing into non-traditional asset classes, including renewables, microfinance, social infrastructure and sustainable agriculture with other areas under consideration.

Uniting Church of Australia¹⁵

The Uniting Church of Australia has chosen “to vest primary responsibilities regarding the mission of the Church in the area of national functions in community services to UnitingCare”. The Church provides funding and capital to support UnitingCare activities in supporting community services and advocacy for children, young people, families, Indigenous Australians, people with disabilities, people from culturally diverse backgrounds and older Australians in urban, rural and remote communities.

¹¹ Information adapted from AMP Capital website: <http://www.ampcapital.com.au/institutional-investors/infrastructure/community-infrastructure-fund.asp?channel=3>

¹² <http://www.ampcapital.com.au/institutional-investors/infrastructure/community-infrastructure-fund.asp?channel=3>

¹³ Information adapted from Christian Super website: <http://www.christiansuper.com.au/>

¹⁴ <http://www.christiansuper.com.au/>

¹⁵ <http://www.unitingcare.org.au/>

National Australia Bank (NAB)

The strategic focus for several of NAB's community programs is promoting financial inclusion. Two programs that form part of this approach include:

StepUP Loan Scheme¹⁶: StepUP Loans are personal, unsecured loans offered at a basic interest rate for the purchase of essential personal, household and domestic goods and services. The loans are available to individuals and families on low incomes and recipients are mentored by a microcredit worker through the loan process and repayment period. Repayment of a StepUP loan establishes an entry to the mainstream credit system.

No Interest Loan Scheme¹⁷: This scheme provides no interest loans for people on low incomes for the purchase of essential household goods, and also helps borrowers improve their savings and budgeting skills. Administered by the Good Shepherd Youth & Family Services, the program has recently expanded to target communities experiencing disadvantage. Capital is committed by NAB on an ongoing basis into the program and is then recycled by community-based no interest loan providers.

Microenterprise Loans¹⁸: This program targets financial exclusion for small enterprises by providing credit to new or existing small businesses (with five or fewer employees) that are not eligible for mainstream finance options. The program involves an unsecured business loan of between \$500 and \$20,000 and also involves business training, mentoring and skills training.

Westpac Banking Group¹⁹

In 2010, the Westpac Banking Group²⁰ entered into a strategic partnership with Parramatta City Council²¹ to support social enterprises. Westpac supports and complements government seed funding and investment in social enterprises by linking skilled volunteers who work as business mentors to social enterprises. The program encourages volunteers from the bank to provide their skills and experience to high impact social enterprises, and offers the additional benefit to the bank of improved staff engagement.

¹⁶ Information adapted from NAB website http://www.nab.com.au/wps/wcm/connect/nab/nab/home/about_us/7/4/3/4

¹⁷ Information adapted from NAB website http://www.nab.com.au/wps/wcm/connect/nab/nab/home/About_Us/7/4/3/3/?ncID=ZBA

¹⁸ Information adapted from NAB website http://www.nab.com.au/wps/wcm/connect/nab/nab/home/About_Us/7/4/3/2/?ncID=ZBA

¹⁹ Information adapted from Westpac website: http://www.westpac.com.au/docs/pdf/aw/Organisational_mentoring.pdf

²⁰ <http://www.westpac.com.au/>

²¹ <http://www.parracity.nsw.gov.au/>

3. Established programs

Case Study: City of Yarra Street Cleaning Joint Venture²²

The City of Yarra, a council located in an inner city area of Melbourne, has undertaken some innovative social procurement work over a number of years. Home to a diverse range of people including large numbers of recently arrived migrants and refugees, the City also has a number of high-rise public housing estates that have been the subject of complex social issues over many years. There were three complex and seemingly unrelated issues facing the City of Yarra some years ago:

- Problems with some of the public housing high-rise estates: high unemployment, vandalism, drugs and 'few pathways out';
- Ageing workforce in council depot (average age of 52 years), recruitment issues, lack of younger applicants for jobs, council forced to pay high costs to use labour hire companies;
- Quality issues in the contract for street cleaning (in its final year before re-tender).

The City of Yarra examined these issues in conjunction with a not-for-profit, Brotherhood of St Laurence (BSL), and decided to embark on a joint venture to develop innovative solutions. Council negotiated a variation in the contract with its existing street cleaning supplier that excised particular localities and activities (and the money associated with this) from the existing contract. Council then applied for and was granted an exemption from the Minister for Local Government in Victoria to undertake the joint venture work without tendering for it on the open market. Council entered into a MOU with BSL and put in place extra reporting requirements and greater levels of monitoring/evaluation than for a traditional contract. Under the terms of the MOU, the aim of the joint venture was to:

- "develop a street sweeping model that suited the needs of Yarra City Council in terms of both efficiency and outcome;" and
- "develop pathways into employment for long-term unemployed residents in the City"

BSL provided the training, traineeship support and funding to operate the transitional labour market social enterprise that was to ensure that the long-term unemployed residents in the identified target group were employed and trained. The council provided key infrastructure, access to the depot, equipment, technical support and advice. The outcomes and benefits:

- High quality street cleaning service.
- Opportunity to diversify council workforce and to establish a pathway to employment for young people from the estate through traineeships.
- Positive impact for employed residents and for the estate residents as a whole – less fighting, vandalism, drugs and improved perception of estate residents from other residents.
- Cost savings for council in the long-term – no more need for continued use of expensive labour hire companies, solving of recruitment problems, less vandalism on the estate, less drug use. Although there were some increased costs to start with (more active engagement in the work than would be in a traditional contract), the long-term and broad benefits far outweigh these costs.
- Contribution to building a more diverse supply market in the nearly-monopolistic local area.

²² <http://www.socialtraders.com.au/social-procurement-case-study-yarra-city-councils-street-cleaning-contract>

Charitable Consortium: GoodStart Childcare Limited²³

GoodStart Childcare Limited²⁴ is a charitable consortium formed by some of Australia's leading and most respected not-for-profit organisations: Mission Australia, The Benevolent Society, the Brotherhood of St Laurence and Social Ventures Australia. Its vision is "for Australia's children to have the best possible start in life through the provision of high quality, accessible, community-connected early learning and care".

In 2009, the GoodStart consortia purchased 678 childcare centres from the failed ABC Learning. The funding that supported this purchase includes a Commonwealth Government loan and tax concessions, a financing arrangement (including senior debt) from the National Australia Bank, 'social notes' from private investors as well as deeply subordinated debt from foundation partners.

Impact Investing: National Rental Affordability Scheme (NRAS)²⁵

In response to poor housing affordability, the NRAS²⁶ was created in 2008 and represents a supply-side intervention to encourage the construction of affordable rental properties. Tax credits or cash payments are provided over 10 years to investors providing affordable housing, which is provided to residents at a minimum of 20 percent below the market rate. In practice, nearly all NRAS properties are managed by not-for-profit housing providers, where the credit is provided as an equivalent cash payment. Among not-for-profit providers, rents are often at least 25 percent below the market rate (partly due to satisfy charitable tax law requirements).

A review²⁷ of the program in 2010 concluded that the number of affordable rental homes in Australia increased and the standard residential net income return for not-for-profit housing providers increased from 2 to 5 percent. The review found that the program was initially funded to support 50,000 new homes, however is expected to eventually expand to twice this figure. Nonetheless, the review found that the program was considered less successful in targeting Australia's most unaffordable markets and failed to attract the interest of institutional investors who required more aggregation, liquidity and clear risk profiling.

²³ Information adapted from GoodStart Childcare website: <http://www.childcare.com.au/>

²⁴ <http://www.childcare.com.au/>

²⁵ Information adapted from that in Wood, D. & Thornley, B. (2011) *Impact Investing: A Framework for Policy Design and Analysis*, Pacific Community Ventures, San Francisco.

²⁶ <http://www.environment.gov.au/housing/nras/index.html>

²⁷ Wood, D. & Thornley, B. (2011) *Impact Investing: A Framework for Policy Design and Analysis*, Pacific Community Ventures, San Francisco.