

Newpin Queensland Social Benefit Bond

Annual Investor Report
Period ending 30 June 2019
Issued September 2019



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Foreword

Dear Investor,

Social Ventures Australia (SVA) is pleased to present the Newpin Queensland Social Benefit Bond (Newpin Qld SBB) Annual Investor Report for the year ending 30 June 2019.

The Newpin Qld SBB is underpinned by a partnership between UnitingCare Queensland (UCQ), the Queensland Government, acting through the Department of Child Safety, Youth and Women (the Department), and SVA.

The second Newpin Centre successfully opened in Logan this year, with a third centre scheduled to commence services in Ipswich in January 2020.

As previously advised, the number of referrals to the Cairns Newpin Centre has been below the level initially expected. A review of the program was undertaken at the end of 2018 and several initiatives (including changing some contractual terms) have since been implemented to ameliorate the impact of the low level of enrolments in the first year. While referrals during 2019 have increased, the performance of the Cairns Centre will continue to be closely monitored.

At 30 June 2019 no children had yet reached their 18-month outcome assessment date. Program outcomes are beginning to emerge however, with the first instances of children returning home to the care of their female parent occurring.

We look forward to the program progressing and communicating further results.



Michael Lynch
Executive Director, Impact Investing
Social Ventures Australia



Elyse Sainty
Director, Impact Investing
Social Ventures Australia

UnitingCare Queensland is excited to continue the partnership with SVA and the Queensland Government to deliver the Newpin Program in our community. Our partners have provided us with invaluable support and guidance in our first 18 months of operation, as we collaboratively addressed the challenges of program implementation. We look forward to progressing our partnership as we continue to roll out the Newpin Qld Social Benefit Bond.

Brent McCracken
Group Executive, Family and Disability Services
UnitingCare Queensland

Newpin Qld SBB overview

The Newpin Qld SBB funds the work of the Newpin Program in Queensland, which is delivered by UnitingCare Queensland (UCQ). The Newpin Qld SBB has a 7.25 year term, with \$6 million of capital from investors underpinning an outcomes-based contract between the Department and UCQ.

Program elements

The Newpin Program intervention model is the same as that underpinning the Newpin Social Benefit Bond in NSW, which has now been run by Uniting for over six years. Uniting provides support and ongoing quality assurance to UCQ under the Newpin licensing agreement.

The purpose of the Newpin Program is to restore children in out-of-home care to the care of their parent(s) by creating and supporting safe family environments. It is an intensive 18-month therapeutic program for families with at least one child aged five and a half years or less, with parents and children attending a Newpin Centre two days each week.

In Queensland, the Newpin Program prioritises working with Aboriginal and Torres Strait Islander families. It also works exclusively with families where a female parent is targeted for reunification with the child(ren).

Newpin parents, children and practitioners work together towards reunification under the core values of safety, equity, empathy, respect and self-determination. The aim of the program is to provide parents with the opportunity to address their own emotional issues, to improve attachment with their children and to develop positive parenting skills.

Figure 1: Newpin model



SBB overview

The Newpin Qld SBB is underpinned by an outcomes-based contract between the Department and UCQ. Payments will be made to UCQ by the Department based on the number of Incremental Reunifications, being the number of children successfully reunified with their families relative to a counterfactual¹, which is determined as 16.5% of the number of Intervention Group children.

Under the Target performance scenario described in the Newpin Qld SBB Information Memorandum, the expected reunification rate was 41.5% (25% above the counterfactual), and the number of Incremental Reunifications over the term of the bond was 139.

Investor funds raised by the Newpin Qld SBB Trust were on-lent to UCQ to provide working capital and share in performance risk. Investors will receive a 2% per annum Fixed Interest Payment over the first 6.25 years of the bond, and a Performance Interest Payment linked to program performance at maturity. The proportion of principal repaid on maturity is also linked to the total number of Incremental Reunifications, with 100% of principal repaid if Incremental Reunifications are 75 or greater.

Table 1: Payments as a percentage of Principal by number of Incremental Reunifications

Total Incremental Reunifications	Principal Repaid	Performance Interest Payment
50 or fewer	50%	-
65	80%	-
80	100%	10%
95	100%	21%
110	100%	33%
125	100%	44%
140	100%	55%

Under the Target performance scenario investors would receive an overall return of 7.5% per annum.



1. A 'counterfactual' is the estimate of what would have happened in the absence of the intervention.

Program update

Newpin Centres

Cairns Centre

The Cairns Centre has now been operational for 18 months.

Currently 75% of staff at the Centre identify as Aboriginal and/or Torres Strait Islander, including the team leader, who has a demonstrated commitment to delivering community-based services.

UCQ has experienced a number of challenges in building the Newpin team in Cairns, mirroring the recruitment experience of both government and non-government organisations in Far North Queensland. At this point, UCQ are continuing the recruitment process for a small number of vacancies. UCQ has made significant investments in the development of the team's expertise in the Newpin practice framework and underpinning theories.

The partnership with Wuchopperen² has proven to be invaluable in providing culturally responsive support to participants who identify as Aboriginal and/or Torres Strait Islander, and in engaging with the wider Cairns community.

Logan Centre

In January 2019 UCQ opened the second Centre in Logan, an outer southern region of Brisbane. The second site was originally planned for Caboolture but following an analysis undertaken by the Department to ascertain likely demand for the Newpin Program, Logan was identified as a priority area.

The Logan Centre has a full complement of staff and is led by an experienced Newpin practitioner who has six years' experience delivering the program in the ACT.

Ipswich Centre

Implementation planning is underway for the opening of the third Newpin Centre in the Ipswich region, south-west of Brisbane. Referrals are scheduled to commence in January 2020.

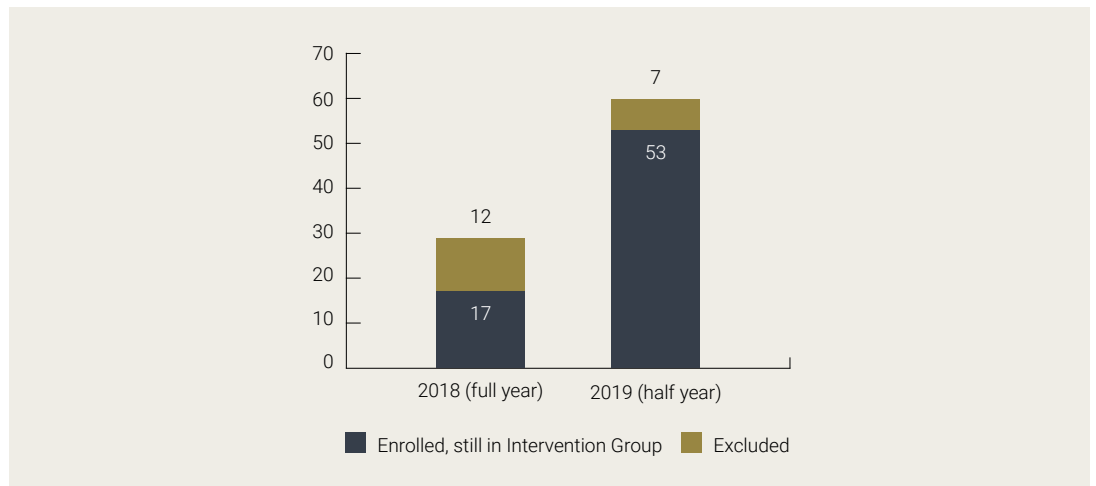
Participant numbers

Referrals and enrolments

A total of 89 children from 43 families were enrolled in the Newpin Program over the 18 months following the commencement of service delivery. Of these, 19 children from 9 families have subsequently been excluded from the program. The outcomes of excluded children are not counted in the determination of Incremental Reunifications, but their family's referral does count toward the Department's Minimum Referral obligations (see below).

² Wuchopperen is an Aboriginal Community Controlled Aboriginal Health Organisation that delivers integrated, holistic primary health care services to Aboriginal and Torres Strait Islander peoples in the greater Cairns area.

Figure 2: Number of children enrolled



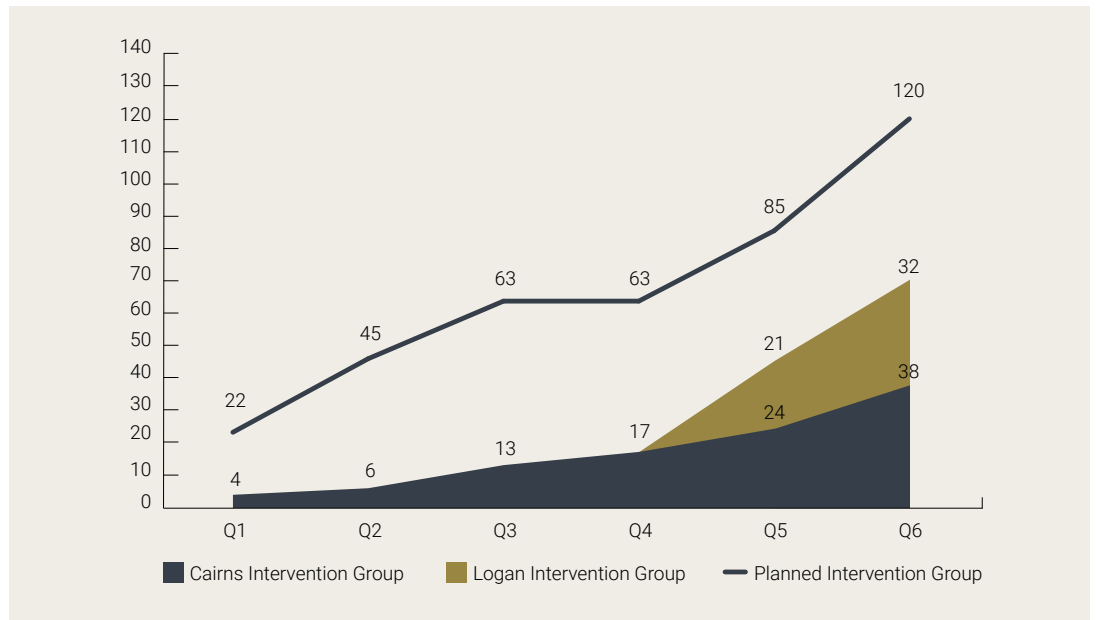
Exclusions

At 30 June 2019, the cumulative exclusion rate was 21%. Exclusions can occur for a range of reasons, including the parent moving away from the Newpin Centre catchment, being incarcerated or suffering an illness that leads to an extensive hospitalisation. Work is occurring between UCQ and the Department to identify indicators that may lead to exclusion. For example, referrals will not progress until after resolution of any outstanding criminal charges that may lead to imprisonment.

Intervention Group size

At 30 June 2019 there was a total of **70 children in the Intervention Group**, which is 59% of the 120 children originally planned.

Figure 3: Intervention Group size



Over the first six months of 2019, some progress was made towards reducing the shortfall in the size of the Intervention Group that was experienced during 2018, with sustained focus on this issue by both the Department and UCQ.

In Cairns, both the number of families referred and the number of children per family increased, with the overall number of children in the Intervention Group more than doubling over the six-month period.

In Logan, the number of families referred (net of exclusions) is running slightly below target, but the number of children per family is in line with plan.

The forecast number of families and children in the Intervention Group has been adjusted to reflect experience to date, the Department's analysis of the number of children in Newpin-eligible families, and revised Centre capacity. Overall, it is currently forecast that over the course of the social benefit bond:

- The number of families referred (net of exclusions) will be 11% higher than the initial plan; and
- The number of children in the Intervention Group will be 437, which is 21% lower than plan.

Minimum referrals

The Implementation Agreement sets out the minimum number of referrals the Queensland Government will provide, with 'deemed' children included in the Intervention Group for payment purposes if the minimum number is not met.

In 2018, the Minimum Referral number was 22, and the actual number of families referred was 19. Consequently, 8.4 deemed children (2.8 children for each missed referral) will be included in the future determination of Incremental Reunifications.

For 2019, the Minimum Referral number is 44. Twenty-four families were referred over the first six months of the year.

Reunifications

At 30 June 2019, a total of four children had been reunified with their family, of which one has subsequently reversed, with the child returned to out-of-home care.

The majority of families have been engaged with Newpin for less than six months, and reunification outcomes are only just beginning to emerge. No children had reached their 18-month assessment point by the end of June.

If the Target scenario Reunification Rate of 41.5% were to be achieved over the course of the SBB³, then the forecast number of Incremental Reunifications (reflecting the reforecast Intervention Group size) is 109.

Lara's story⁴

Lara is a twenty-five-year-old Aboriginal mother of two girls, four-year-old Rachel and two-and-a-half-year-old Sarah. Rachel has always lived with her maternal grandfather, while Sarah was removed from Lara's care at birth because of Lara's drug use and her involvement in serious crime.

When Sarah was a few months old, Lara was sent to prison, where she received much needed support to overcome her drug habit. On release from prison Lara was referred to Newpin in the hope that she could build a secure attachment with Sarah and learn the parenting skills necessary to provide Sarah with a safe and nurturing home.

Lara has been attending Newpin twice a week since July 2018 and Sarah has been enjoying family time with her mum at Newpin for two hours on each of those days. At first Lara struggled to respond to Sarah's emotional needs, believing that her daughter needed to 'toughen up'. This response from Lara was a product of the harsh environment in which she herself was raised. Over time however, we have seen how Lara has softened and has begun to delight in the cuddles that Sarah craves.

During the weekly Personal Development Programs and Therapeutic Support Groups Lara has had an opportunity to learn a variety of emotional and practical skills. Lara derives much support from the other mothers in her group and leads by example in her continued commitment to staying off drugs.

Sarah was reunified with Lara in June 2019.

3. The performance scenarios for the Newpin Program that are set out in the [Information Memorandum](#) were developed and agreed between SVA, the Queensland Government and UCQ. Neither SVA Nominees Pty Ltd (the issuer of the Newpin Qld SBB Notes), UCQ, the Queensland Government nor any other person guarantees that the target outcomes will be achieved.

4. Names have been changed to protect privacy.

Unsuccessful exits

Unsuccessful exits occur when a family leaves the Newpin Program before a reunification occurs and are thus a predictor of likely outcomes. At the end of June, a total of five children from four families, all in Cairns, had disengaged from the program.

It is difficult to determine what will make a parent successful during their time in Newpin. A combination of factors, including the extent and duration of early abuse, the presence or absence of secure attachment figures in childhood, aptitude for insight and a person's temperament all impact on an individual's resilience and capacity for change.

Profile of Newpin participants

On average, families referred to Newpin to date have 2.0 children enrolled in the program.

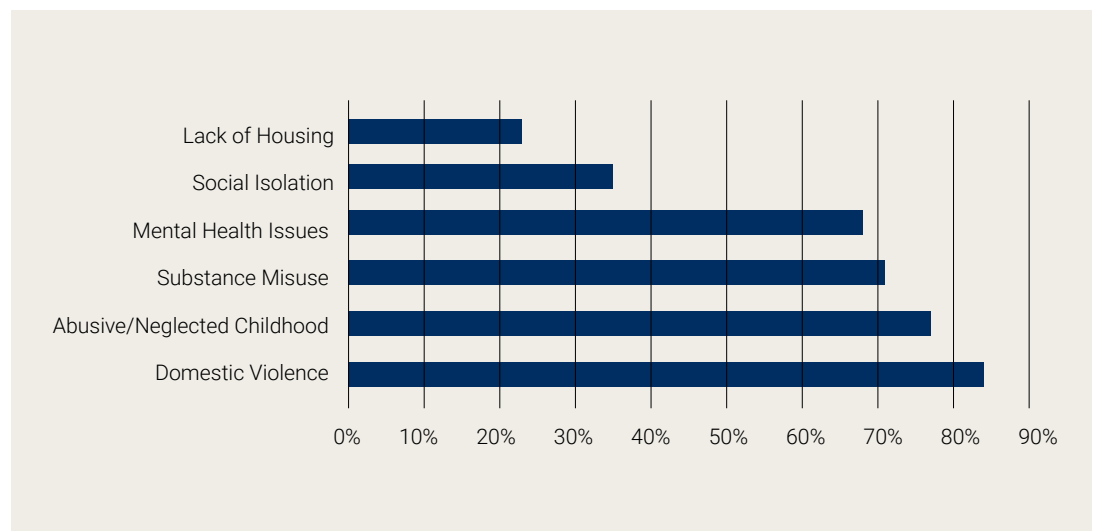
As at the end of June 2019, 49% of the parents and 42% of the children actively participating in Newpin identify as Aboriginal and/or Torres Strait Islander.

Participating parents have presented to Newpin with a wide range of complex issues:

- 84% have presented with domestic violence as a current issue;
- 77% have experienced abuse or neglect in their childhood including instance of sexual abuse or placement in out-of-home care;
- 71% present with an ongoing issue with substance misuse (alcohol or drugs);
- 68% have current mental health concerns;
- 35% have social isolation as an issue; and
- in 23% of cases, housing was identified as an issue.

One parent presented with all these issues.

Figure 4: Issues experienced by Program participants



Gloria's story⁵

On referral Gloria had presenting factors of post-traumatic stress disorder and borderline personality disorder, a history of abuse in foster care as a child, ongoing substance use, domestic violence, chronic homelessness and outstanding charges before the courts in NSW for assault and grievous bodily harm.

Newpin first made contact with Gloria, a mother of two young children in care, in January 2019. Since that time, Gloria has engaged with Newpin sporadically, as she moved between staying with friends in Cairns, Sydney, and communities in the region around Cairns.

Newpin tried to engage with Gloria, as she expressed that she wanted to progress with the program in the hope of being reunified with her children. Gloria commenced in Newpin in June 2019 and her attendance has been inconsistent. Gloria's housing instability is a barrier to Newpin being able to engage in meaningful therapeutic work. Newpin continues to advocate on Gloria's behalf to find stable housing so that therapeutic work can progress.

Currently Gloria and an older daughter are living in a refuge in Cairns.

Governance and Scheduled Review

As outlined in last year's Investor Report and the update sent to investors in March 2019, the Newpin Qld SBB Joint Working Group (JWG) completed a formal Scheduled Review in December 2018, in accordance with the terms of the Implementation Agreement. The JWG comprises representatives from UCQ, SVA, the Department and Queensland Treasury.

The performance of the Cairns Centre over its first year was a key focus of the Scheduled Review, and a number of contractual amendments and operational adjustments were agreed which are intended to offset the lower than planned number of families in the Cairns Centre. Progress against the revised forecast is being monitored closely.

Another Scheduled Review will occur in the coming months. If the review indicates that further amendments are necessary, but the parties are unable to agree on revised terms within two months from the commencement of negotiations, then UCQ and the Department each have the right to terminate the Implementation Agreement. Under the terms of the Loan Deed, UCQ cannot agree to variations to the Implementation Agreement that would impact on Incremental Reunifications or any payment to UCQ under the Implementation Agreement without the consent of SVA Nominees Pty Ltd in its capacity as trustee of the Newpin Qld SBB.



Cairns Centre therapeutic play room.

⁵ Names have been changed to protect privacy.

Investor returns

Interest rate

Under the terms of the Loan Agreement, UCQ will make Fixed Interest Payments in arrears on 30 September each year from 2018 to 2023, and a Performance Interest Payment on 30 September 2024.

The Fixed Interest Payment due on 30 September 2019 (Interest Payment Date 2) is calculated as follows:

$$\text{Fixed Interest Payment} = \text{Principal} \times 2\% \times n/365$$

Where:

- Principal is equal to the aggregate face value of the notes which is \$6 million; and
- n is the number of days from 1 October 2018 to 30 September 2019, or 365.

Accordingly, the Interest Payment from UCQ in respect of Interest Payment Date 2 is \$120,000.

Coupon payment

Investor Coupon Payments are made following receipt of the Interest Payment from UCQ. Investors will receive a Coupon Payment representing their pro-rata share of the Interest Payment received from UCQ.

Early termination payments

If the Newpin Qld SBB were to terminate during the year ending 30 June 2020 investors would receive:

- 100% of their principal plus a final interest payment; unless
- the termination is due to a breach of the Implementation Agreement by UCQ, in which case the amount paid would be a proportion of principal determined as $100\% - (1\% \times n)$, where n is the number of complete quarters since Financial Close⁶.

6. Financial Close occurred on 6 July 2017.

Disclaimer and confidentiality

This document has been prepared by Social Ventures Australia (ACN 100 487 572), (SVA) as the Manager of the Newpin Qld SBB Trust. Please refer to the Information Memorandum, SBB Deed Poll and Purchase Deed for the Newpin Queensland Social Benefit Bond dated 24 April 2017 for information on structure and terms. The information contained herein should be considered as indicative and does not purport to contain all the information that any recipient may desire. SVA does not provide financial advice and recipients should seek independent financial advice. Further, statements in this report are not intended to be tax advice and investors should consult a professional tax adviser, if necessary, for tax advice required in connection with completion of tax returns.

The SBB Loan Note is issued in accordance with the SBB Loan Note Deed Poll and investors should refer to that document for the terms of issue. Investors should note that past performance of the Newpin Program should not be treated as an indication of future performance. This document and all the information contained in it must not be disclosed to any person or replicated in any form without the prior written consent of the Trustee.



Photographs

Front cover: Stock image.

P5: Cairns Centre. Supplied by UnitingCare Queensland

P10: Cairns Centre therapeutic play room. Supplied by UnitingCare Queensland

P12: Logan Centre therapeutic play room. Supplied by UnitingCare Queensland

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