

NEWPIN SOCIAL BENEFIT BOND

Annual Investor Report

30 JUNE 2014



FOREWORD

Dear Investor,

Social Ventures Australia (SVA) is pleased to present the first Newpin Social Benefit Bond (SBB) Investor Report.

The Newpin SBB is the first social impact bond in Australia. An innovative performance-based payment contract, it was designed to fund the maintenance and expansion of a therapeutic, centre-based program to support and empower families facing potential or actual child protection issues.

We are pleased to report that the Newpin SBB has had a successful first year in both a social and investment sense. The program has restored 28 children to their families and delivered a 7.5% financial return to investors, based upon a Restoration Rate for the 12 months to 30 June 2014 of 60%.

Please take the time to review this report and we thank you for your investment, without which this innovative product and these results would not have been possible.



Ian Learmonth
Executive Director
Impact Investing



Elyse Sainty
Senior Advisor
Impact Investing



**The Hon. Andrew Constance,
NSW Treasurer and Minister
for Industrial Relations**

“The NSW Government is striving to develop new and innovative ways to deliver services and supports to our community, and the first year results of the Social Benefit Bond with UnitingCare Burnside are certainly encouraging.

Not only are we tapping into a new source of funding by partnering with investors, we are delivering better social outcomes while providing cost savings to government.

“We look forward to the continuing success of the Social Benefit Bond trial with UnitingCare Burnside over the next six years, and we’ll continue to look at more opportunities in this space.”

NEWPIN OBJECTIVES AND PROCESS

The Newpin SBB was launched in July 2013 to fund the maintenance and expansion of the vital work of the Newpin program run by UnitingCare Children, Young People and Families (a service group of UnitingCare NSW/ACT).

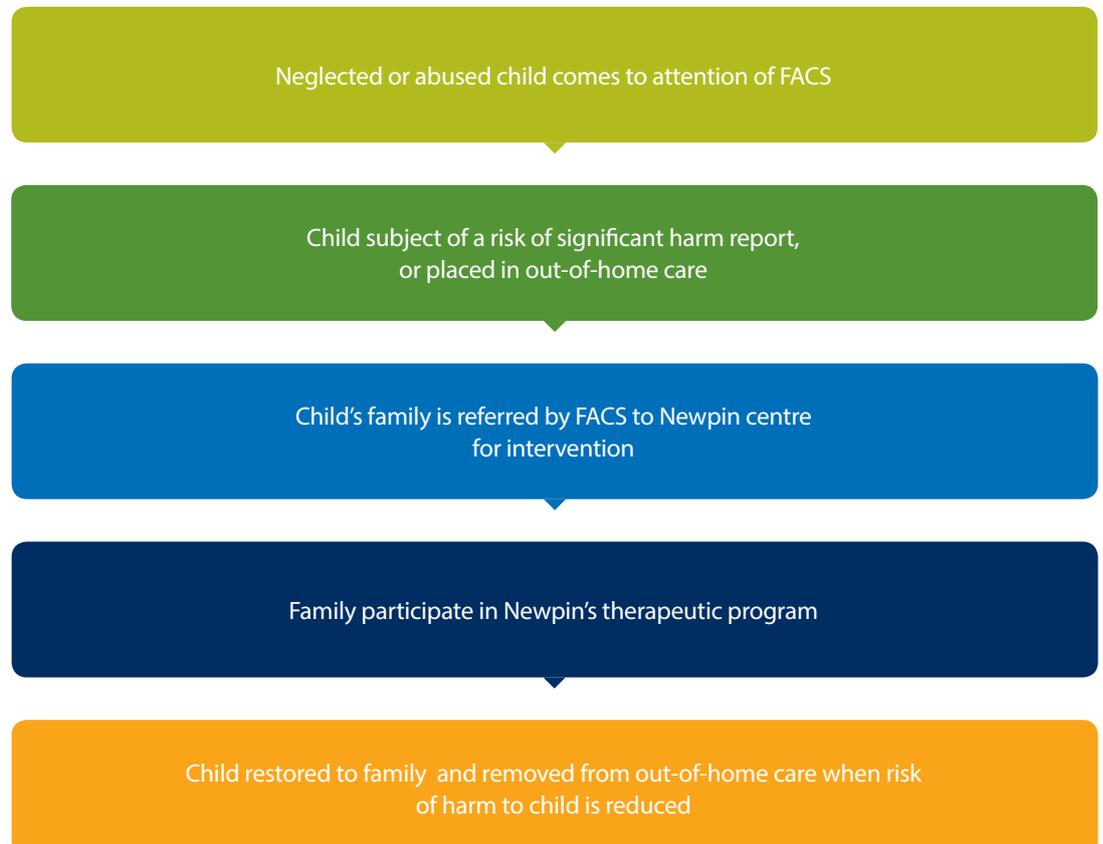
A social investment funding partnership between UnitingCare, the NSW Government and impact investors, the Newpin SBB will operate for seven years, utilising \$7 million of capital from investors. It is underpinned by a performance contract between the NSW Government and UnitingCare.

The purpose of the Newpin program is to restore children in out-of-home care to the care of their families by creating and supporting safe family environments (Cohort 1), and to prevent children at risk of significant harm from entering out-of-home care in the first place (Cohorts 2 & 3). It is an intensive 12 to 18 month therapeutic course for families with young children aged five years or less and operates separate centres for mothers and fathers.

Figure 2.1 The Newpin program works with three broad family cohorts:

Cohort 1	Families that have at least one child aged five years or less who has been in out-of-home care for at least three months.
Cohort 2	Families that have at least one child aged five years or less that has been assessed as being at risk of serious harm. These children will either be the subject of a Supervision Order or a safety and risk assessment by Family and Community Services (FACS).
Cohort 3	Families that have at least one child aged five years or less that do not meet the definitions above but have been identified as needing support to prevent deterioration in the family environment.

Figure 2.2 Newpin service delivery process



INVESTOR RETURNS

We are pleased to report that over the past year, the Newpin SBB has delivered positive results.

Social Impact

At 30 June 2014, the Newpin program was supporting 55 families with 80 children across three centres, with a new centre recently opened at Wyong. Over the course of the year, a total of 136 families with 228 children participated in the Newpin program.

During the year to 30 June 2014, the program supported the successful restoration of 28 children to their families. In addition, 10 families at risk were supported to prevent their children entering out-of-home care.

To reach the point where a child can be safely restored to the care of their family, the parents involved have had to address complex and deep-seated personal issues, often involving substantial trauma and abuse in their own childhoods. The raw numbers of successful restorations tell only part of the story of the positive impact Newpin has had on the lives of vulnerable children and their parents.

The Restoration Rate

The Restoration Rate determines the Interest Payments that are payable by UnitingCare under the UC Loan Deed, and hence the Coupon Payments to investors. The Restoration Rate is the proportion of children in out-of-home care attending a Newpin mothers' centre who are restored to the care of their families. The Restoration Rate is calculated annually at the end of each Financial Year based on cumulative restoration results. For more detail on the calculation of the Restoration Rate please refer to Section 7.1 of the Information Memorandum.

The Restoration Rate for the first Financial Year of the Newpin SBB was 60%.

The Restoration Rate and the program data used to calculate it have been verified by the Independent Certifier, Deloitte Touche Tohmatsu.

Coupon Payment

Under the terms of the UC Loan Agreement, the Interest Rate used to determine the Interest Payment from UnitingCare is calculated as follows:

$$\text{Interest Rate} = 3\% + [0.9 \times (\text{Restoration Rate} - 55\%)]$$

With a Restoration Rate of 60%, the Interest Rate for the first Interest Payment is thus **7.5%**.

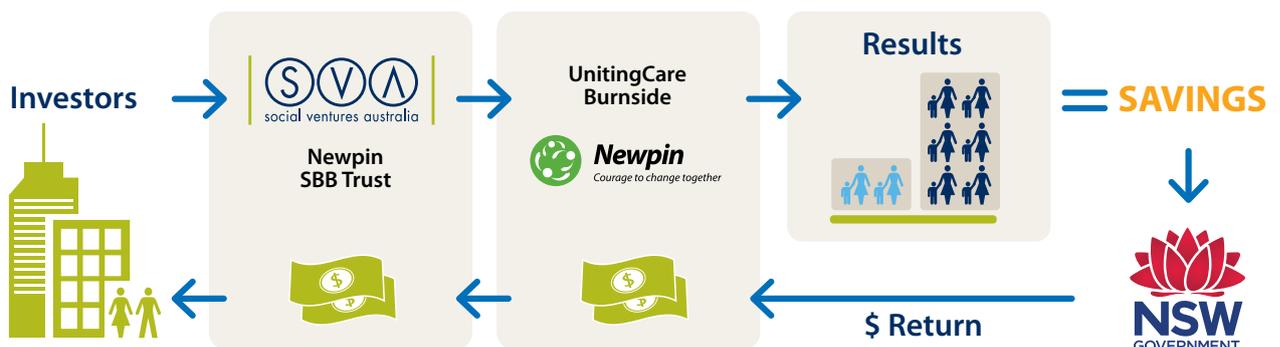
The first Interest Payment is based on a 15 month period from 1 July 2013 to 30 September 2014. Note that Interest Payments in subsequent years will be based on a 12 month payment period. Please refer to Section 7.2 of the Information Memorandum for detail on the calculation methodology.

The Newpin SBB will make Coupon Payments of \$655,890¹ in total.

Coupon Payments will be made to investors promptly following receipt of the Interest Payment from UnitingCare, due on 30 September 2014. Investors will receive a Coupon Payment representing their pro-rata share of the Interest Payment received from UnitingCare.

The Interest Rate and resulting Interest Payment (and therefore Coupon Payment) have been independently certified by Deloitte Touche Tohmatsu.

Figure 3.1 Newpin SBB Structure



Note 1: Calculated as: (\$7,000,000 x 7.5% x (456/365)) – Zero (no previous payments).

TARA'S* STORY

Tara was 38 years old when she was referred to Newpin. She had a history of violent partners causing her to turn to drugs to escape her situation, leading to her being unable to care for her (then) young children properly. Her two oldest children now live with their father and Tara has no contact with them. Her two children with her subsequent violent partner (who died of a drug overdose) live in separate foster families.

Community Services had previously attempted to return the children to Tara upon her completion of a drug rehabilitation program. However, the stress of the situation was too much for her and she returned to drugs. The children returned to the care system.

In October 2010 Tara gave birth to another son, Jack. Her new partner was also violent and Tara was unable to stay drug free, so Jack was removed from her care at the age of five months.

Two years later, Tara was referred to the Newpin program to see if she could make sufficient changes to enable her to meet Jack's needs. Tara had spent very little time with Jack and there was no healthy bond between them. However, Tara had made some steps in the right direction: she was no longer with her violent partner and had completed rehab again. Newpin needed to help her address a number of issues in order for her to have any hope of being a full time mum to Jack. These included:

- Lack of parenting skills
- Limited understanding of Jack's emotional and developmental needs
- No support network
- Difficulty in managing stress and other emotions
- Tara's need to develop awareness of the impact of domestic violence and to stay drug free

At first, Tara found it hard to settle into the program. She was overwhelmed by the number of parents and children attending the centre and was very critical of other mothers' behaviours. However, little by little, through her involvement in the groups and the nurturing that she received from staff, Tara began to relax and to relate to other Newpin parents. She was able to start reflecting on her own situation and began to develop new strategies for coping. Tara was given considerable support to enable her to build a relationship with her son. Tara's Community Services caseworker was so impressed with the changes that Tara had made that she recommended the restoration of Jack to Tara's care and he went home just prior to his third birthday.

"little by little, through her involvement in the groups and the nurturing that she received from staff, Tara began to relax and to relate to other Newpin parents"

Tara and Jack continued to attend Newpin after the restoration. Tara acknowledges that this was a very difficult time for her and that, without the support of Newpin, she would likely have fallen back into old habits. Instead she and Jack are flourishing. Tara proudly talks about how she saved up her money and recently took Jack on his first family holiday ever, to a caravan park in Port Macquarie.

Tara is now coming to the end of her time at Newpin, but is giving back to the program in the role of 'befriender', supporting new mothers to attach to the centre and to reap the benefits that Newpin gave her.

* The actual names of Newpin participants have been changed to respect their privacy.



NEWPIN PROGRAM UPDATE

Referrals

The first year of operations has seen strong collaboration develop between FACS and UnitingCare. Before the Newpin SBB launched, FACS and UnitingCare undertook an education and communications campaign in the Western Sydney area to raise awareness of the Newpin program amongst the FACS caseworkers who identify families eligible for referral to the program. FACS also devoted a full-time project manager to the pilot scheme. This approach has yielded a gradual and steady build-up of referrals to the Newpin program.

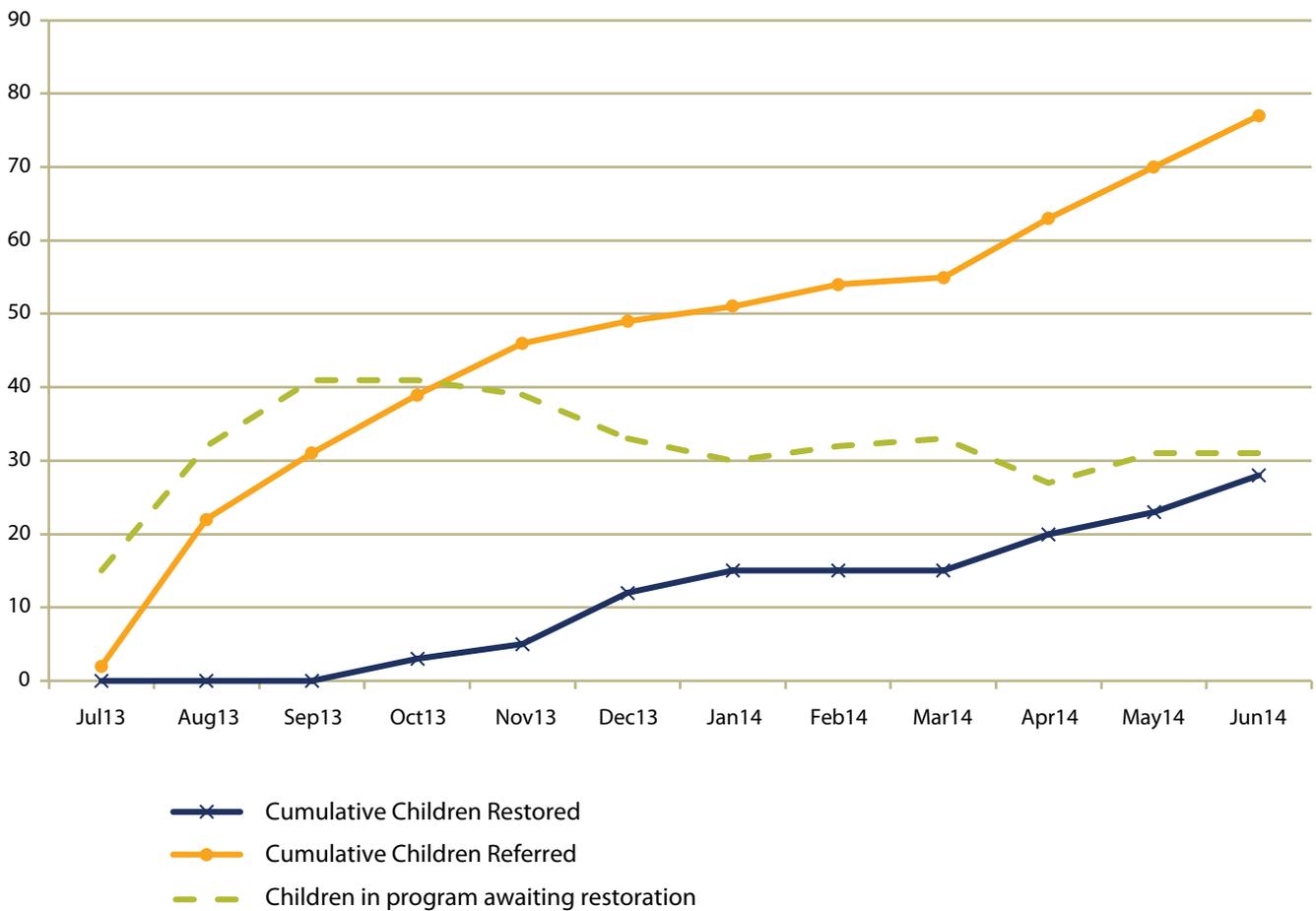
Based on the experiences of last year, the referrals process has been reviewed and optimised, with FACS devoting additional resources to ensure the continued flow of referrals to the Newpin centres.

Restorations

As identified in the Information Memorandum, statistical error is heightened with small cohort sizes, and early year results will be impacted by expected volatility as the program develops and expands. This volatility in restoration experience will be minimised by using cumulative results in the determination of the Restoration Rate. As an illustration of the impact of this volatility, the Restoration Rate included the unsuccessful exit of one family with five children. If this family had only two children (the typical family size), the Restoration Rate for the Financial Year ending 30 June 2014 would have been 65.6%.

The graph below illustrates the cumulative number of referrals and the cumulative number of children being restored.

Figure 4.1 Newpin Cohort 1 Referrals and Restorations for 2013/14



REFLECTIONS

Liz Sanders, Newpin Operations and Practice Manager

*“The introduction of the Newpin Social Benefit Bond has brought a number of changes to the original Newpin program. In particular, the way we report on our work, the way we collect data and the assessment tools that we use with the families. These have not only impacted on the nature of the work but also on the quality. **We are now more able than ever to identify individual goals, put appropriate strategies in place and to demonstrate the changes that parents are making.**”*

Newpin has always engaged therapeutically with parents who have experienced substantial trauma and abuse in their own childhoods. The Newpin approach supports parents to make significant changes in their lifestyles and in their relationships with their children, their peers and other adults.

The fact that we can now do this in a more planned and systematic manner and that we can produce evidence supporting the work, is a tremendous bonus. The Newpin ‘Restoration’ model, which has developed as a result of the Social Benefit Bond, means that an increasing number of NSW children will be able to grow up with their birth families within a safe and nurturing home.”

Anita Ings, Coordinator, Doonside Newpin Mothers’ Centre

“One family that particularly touched me was that of Katarina and her baby, Helena. Katarina was referred to Doonside Newpin centre when Helena was three months old. Helena had been removed at birth due to Katarina and her partner’s drug use and concerns over Katarina’s intellectual capacity, as a result of a brain injury sustained in a domestic violence incident with a previous partner.*

*When Katarina first started coming to Newpin, she lacked any parenting skills and had no attachment to her baby. She was unable to pick up her baby’s cues and restoration seemed unlikely. However, **the progress that Katarina was able to make over time was remarkable and we watched her blossom into a confident and competent parent. I think that much of this happened because of the support, respect and acceptance that we offered Katarina.***

Katarina now has Helena in her full-time care, has moved on from Newpin and is attending TAFE. FACS has closed the case and it was a wonderful moment in Newpin when the FACS caseworker came in and said goodbye to Katarina - the same caseworker who had removed Helena from Katarina’s care. There were tears all around, as she acknowledged what a great mum Katarina has turned out to be.”

* The actual names of Newpin participants have been changed to respect their privacy.

EXPANSION PLANS

At the launch of the Newpin SBB, UnitingCare was operating four Newpin centres in Western Sydney (three mothers' centres at Bidwell, Doonside, St Mary's and a fathers' centre). The new performance oriented environment has helped UnitingCare to make more informed decisions about how to best serve families. In response, the centre at Bidwell has been closed, with four families transferred to the St Mary's Mothers Centre. This consolidation will enable Newpin to service the Western Sydney region more effectively, with the remaining centres operating at optimum capacity.

A new mothers' centre was recently opened at Wyong and began accepting referrals in July 2014. This new centre will widen the catchment for referrals significantly.

Expansion planning is currently underway for further centres across NSW, each focused on supporting parents and their children. The key issues considered by UnitingCare in undertaking this planning include identifying the areas of greatest need (numbers of children in out-of-home care) and implementation capability. At all times the delivery of high quality support to participating families is paramount, and the opening of new centres is carefully managed.





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