

Newpin Queensland Social Benefit Bond

Final Investor Report
Period ending June 2020



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Foreword

Dear Investor,

Please find enclosed the third and final Newpin Qld Social Benefit Bond (Newpin Qld SBB) Annual Investor Report. As previously communicated, the Newpin Qld SBB terminated in June 2020, prior to its planned maturity date of 30 September 2024.

This report is provided to summarise the Newpin Qld SBB over the three years it operated. We outline some of the challenges experienced, the social and financial outcomes that were able to be achieved and some reflections and learnings that all parties have taken away from the Newpin Qld SBB.

The termination of the Newpin Qld SBB is clearly a disappointing outcome. We can assure Investors that every effort was made to seek terms under which the program could be continued while protecting the interests of Noteholders. We are also satisfied that the interests of the families supported by the Newpin Program are being given primacy during the wind-up process.

Social impact investments enable new programs to be trialled or scaled, and provide a risk sharing mechanism to enable service providers to enter outcomes-based funding arrangements. They sharpen focus on measurement and aim to build the evidence base for which programs work, and in which contexts.

Thank you for your support for the Newpin Program in Queensland. Your investment played an invaluable role in enabling this pilot to be established and has made a long-lasting impact for the families who were supported while the program was operational.



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Newpin Qld SBB overview

Background

The Newpin Qld SBB was underpinned by a partnership between UnitingCare Queensland (UCQ), the Queensland Government (the State), and Social Ventures Australia (SVA).

Throughout 2015 and early 2016, the State engaged widely with prospective partners as a social impact bond pilot program was developed. In March 2016, the State invited Expressions of Interest in three focus areas, including issues facing Aboriginal and Torres Strait Islander people (at risk of one or more chronic disease, and children in out-of-home care).

Several proponents were subsequently shortlisted for the Request for Proposal phase, and in October 2016 UCQ and its partner SVA were invited to participate in a period of joint development. Joint development of the Newpin Qld SBB culminated in its launch in April 2017, with financial close occurring at the end of June that year.

SBB overview

\$6 million in capital was raised from a total of 33 investors and on-lent to UCQ to provide working capital and share in performance risk.

Outcome payments made by the State to UCQ, and returns to investors, were based on the number of Incremental Reunifications, being the number of children successfully reunified with their families relative to a counterfactual¹, which was 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 expected over the term of the bond was 139.

The Newpin Qld SBB was anticipated to have a 7.25 year term, maturing on 30 September 2024. Under the Target performance scenario investors would have received an overall return of 7.5% pa.

Program description

The Newpin Program has been operating in Australia for over two decades and is based on a model first developed in the United Kingdom. In NSW, the Program operated successfully under a social impact bond structure for the seven-year period ending 30 June 2020.

The purpose of the Newpin Program is to reunify children in out-of-home care with their parent(s) by creating and supporting safe family environments. It is an intensive 18-month therapeutic support 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 prioritised working with Aboriginal and Torres Strait Islander families. It also worked exclusively with families where a female parent is targeted for reunification with the child(ren).

It was planned that three Newpin Centres would operate under the SBB arrangement; around 200 families with 560 children in out-of-home care were anticipated to be enrolled in the Program over a five-year period.

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



Service and outcomes summary

Newpin Centres

Centre 1: Cairns

The Cairns Centre opened as planned in January 2018 and ceased services at the end of June 2020. The small number of active participants at the time of closure were able to be transitioned onto other programs.

In Cairns, UCQ partnered with Wuchopperen Health Service² to provide culturally responsive support to participants who identified as Aboriginal and/or Torres Strait Islander, and to support engagement with the wider Cairns community. 75% of staff at the centre identified as Aboriginal and/or Torres Strait Islander.

Over its time in operation, the Cairns Centre experienced lower than planned enrolments of families and children. In addition, a lower than planned proportion of those families identified as Aboriginal or Torres Strait Islander, contrary to the intent of the SBB to address Indigenous disadvantage.

UCQ also 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.

Centre 2: Logan

In January 2019 UCQ opened the second centre in Logan, an outer southern region of Brisbane. The Logan centre was fully staffed, and the team was led by an experienced Newpin practitioner who had six years' experience delivering the program in the ACT.

The Logan Centre will continue to be funded by the State under the SBB arrangement until September 2020, reflecting the larger number of children and families being supported by the Newpin Program at that centre.

UCQ have further committed to continue funding the centre until December 2020 whilst it explores options to continue the delivery of the Newpin Program in Logan.

Centre 3

The third Newpin Centre was scheduled to open in Ipswich in January 2020. However, at that point discussions about the future of the Newpin Qld SBB were ongoing and the parties agreed to defer the opening of the third centre.



Play room at Logan Newpin Centre

2. Wuchopperen Health Service 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.

Participant numbers

Referrals and enrolments

A total of **103 children from 52 families** were enrolled in the Newpin Program over the period the service operated under the SBB. This is an increase of only 16 relative to the last annual report to 30 June 2019.

In 2019, the contractual number of Minimum Referrals to be provided by the State was 44 families; 31 families were actually referred. In 2018 the corresponding figures were 22 and 19.

Referrals ceased in March 2020 and were at very low levels in the preceding months during which the viability of the program was under discussion.

Less than half of the total number of children enrolled (48) were in the Cairns Centre, despite it being operational for a year longer than the Logan Centre (55 children enrolled).

The number of children in each referred family was 2.0, lower than the 2.8 originally anticipated. As outcomes are partly driven by the number of children in the program, this reduced the opportunity to generate positive results. Cairns families were smaller (1.7 children on average) than Logan families (2.4 children).

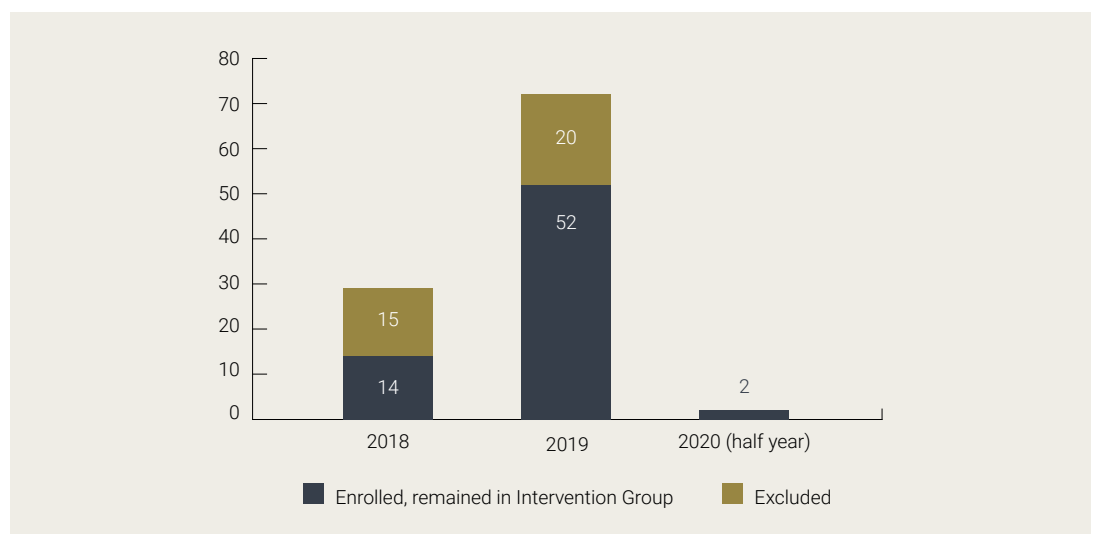
The State and UCQ undertook a number of initiatives in a collaborative endeavour to increase the number of families referred to Newpin, particularly in Cairns. However, there remained a gap between the number of theoretically eligible families and those that could appropriately be referred to the Program. In some instances, Aboriginal and/or Torres Strait Islander families were engaged in alternative services delivered by community-controlled organisations, reflecting a shift in policy that was supported by all parties. In other instances, physical access to the Newpin Centre was difficult for families located in the regions around Cairns who had limited transport options.

Exclusions

Of those enrolled, 35 children from 17 families were subsequently excluded from the program, an overall exclusion rate of 34%. The outcomes of excluded children are not counted in the determination of Incremental Reunifications. Exclusions occurred 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.

The high rate of exclusions remained an issue throughout the term of the SBB, and were particularly pronounced for the Cairns Centre (40%). The exclusion rate is an indicator of the level of complexity of the participants, who presented with a wide range of social and personal challenges, as further detailed later in this report.

Figure 1: Number of Children Enrolled and Excluded



Intervention Group size

At the conclusion of the SBB arrangement there were a total of **68 children in the Intervention Group**, which is 35% of the 196 originally planned³. This figure is a result of the lower than planned referrals, high rate of exclusions, cessation of referrals in March 2020 and non-opening of the third Centre.

29 Intervention Group children attended the Cairns Centre; 39 attended the Logan Centre.

Reunifications

At the conclusion of the SBB arrangement in June 2020, a total of 23 children had been restored to the care of their family, two of which were subsequently reversed with the children returned to out-of-home care (9% reversal rate). Both reversals occurred in Cairns.

By the SBB termination date, only 13 children enrolled in the Cairns Centre during 2018 had reached their formal assessment point, which occurs 18 months after enrolment. Two of those children were successfully reunified. This reflects a 15% Reunification Rate, slightly below the counterfactual of 16.5%. None of the other 16 Intervention Group children in the Cairns Centre are in the care of their families.

No children enrolled at the Logan Centre had reached their 18 month assessment point as at the termination date. However, 19 children enrolled at the Logan Centre had been restored to their family's care. This is 49% of the Intervention Group children at the centre, above the target Reunification Rate of 41.5%, noting that reversals may occur prior to the 18 month assessment point.

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 trauma, 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.

The very low rate of reunifications at the Cairns centre reflects a combination of factors, including the complexity of the cohort and the challenges UCC experienced establishing a 'rhythm' in the centre due to low participant numbers.

Figure 2: Key statistics by Centre

	Cairns	Logan	Total
Enrolments	48 children	55 children	103 children
Exclusion rate	40%	29%	34%
Intervention Group	29 children	39 children	68 children
Restored to family (not reversed)	2 children	19 children	21 children

3. Planned enrolments to 30 June 2020

Newpin parent story

"Honestly I feel so overwhelmed and exhausted being a single parent. When the girls go to childcare I just want to sleep and that just gets me into trouble as I have not cleaned the house or washed the clothes or followed whatever instructions I have been given. Anyway, my girls got removed, their dad got put in jail and I ran out of excuses. I got put on a mental health treatment order, got off the drugs and started to look after my mental health.

I feel as if I have been to every parenting program that exists, you name it I have been. I avoided Newpin at first, I wasn't sure about it and thought here we go again. I met the staff and was offered a tour of the building. It was amazing. Such a calm, relaxing place, I could not believe it. I immediately felt at peace and thought I could stay here forever. I said yes to joining Newpin, but in all honesty it was probably so I could feel relaxed and calm. I love the house.

I joined the Newpin groups and I started to see things differently. It made me open up my eyes and see that there is a different way of doing things. I know now that smacking and shouting or yelling doesn't work. I have learnt to talk to my children and explain things, instead of getting angry and frustrated.

I went through a rough patch and told Newpin no more, it was all too much. They did not go away or give up on me, which is the first time ever. Usually after one or two refusals other services would disappear. I realised Newpin was really here for me, they believed in me.

Within eight months of starting Newpin I had three of my girls living at home with me and was not really thinking that I would cope with the fourth, but here I am seven months later working towards getting all my girls back home. It's not been easy and I know it will not be easy but I have learnt so much about myself.

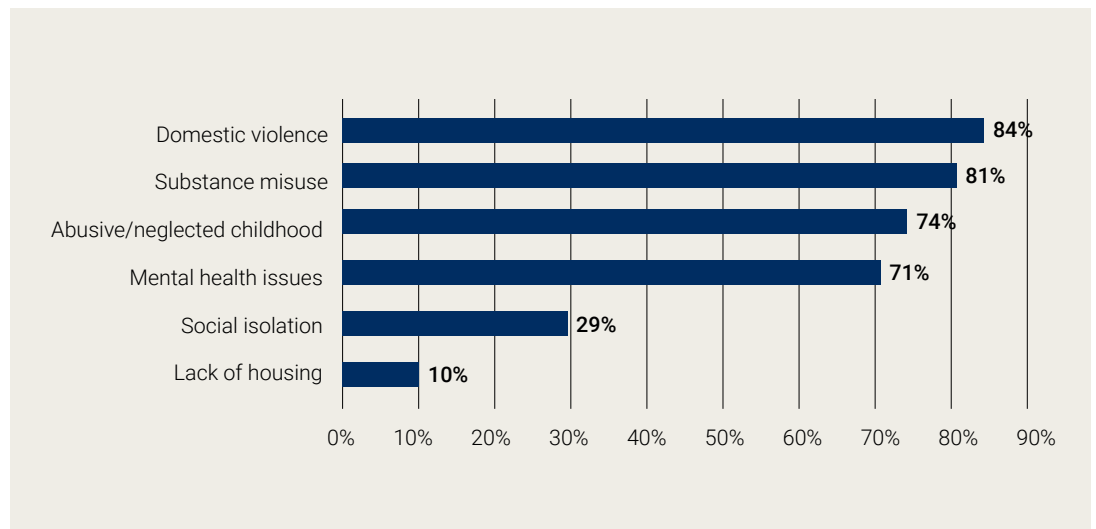
Newpin is a very welcoming place – everyone has been in the same situation. Seeing other people when I first came in, who were in the same situation did not make me feel so bad about my story. I felt as if I belonged and was understood. It made me feel stronger and made me want to work harder at getting my children home."

Profile of Newpin participants

42% of the families participating in the Program identified as Aboriginal and/or Torres Strait Islander.

Participating parents have presented to Newpin with a wide range of complex issues, as illustrated in Figure 3 below.

Figure 3: Issues experienced by Program Participants



Reflections on the Newpin Qld SBB

The Newpin Qld SBB was implemented to break the cycle of over-representation of Aboriginal and/or Torres Strait Islander children in out-of-home care.

By the end of 2018, there were indicators of challenges in meeting the agreed social and financial benchmarks of the Newpin Qld SBB. This was primarily due to:

- the number of eligible women being referred to the program being lower than required; and
- the number of children entering the program along with the female parent also being lower than anticipated.

This directly impacted the number of possible reunifications that UCQ could achieve, and consequently the viability of the SBB.

In addition, it was observed that the proportion of referrals received who identified as Aboriginal and/or Torres Strait Islander was not consistent with the overarching social outcome of addressing Indigenous disadvantage.

The changing service delivery landscape has seen a greater focus on family support services being delivered by Aboriginal and Torres Strait Islander community-controlled organisations. A shared and ongoing learning for the Queensland human services sector is the importance of community and cultural authority to inform and support service delivery models to Aboriginal and Torres Strait Islander peoples, the priority target cohort of the Newpin Program in Queensland.

The Newpin Program trialled service delivery in both metropolitan and regional areas. The regional context of the Cairns Centre posed a range of unique challenges, and the divergent experience of the two Centres highlights the importance of achieving critical mass in a program such as Newpin, in which the dynamic of the group work undertaken is fundamental to participants' experience and success. The presenting issues of mothers in the Cairns catchment area were also highly complex and multifaceted, creating greater reliance on participants' access to complementary services such as drug and alcohol support and appropriate housing.

All parties involved have learnt from the Newpin Qld SBB experience and will take those learnings into future service delivery, outcomes-based contracting and social impact investment initiatives.



Therapeutic play water activity



Outdoor set up for therapeutic play

Tracey's story⁴

Tracey has a history of being involved with child safety as a child. She experienced physical, sexual and emotional abuse, neglect and abandonment and did not have any positive parenting role models.

Tracey's parents were alcoholics and were away from home for long periods of time. It was Tracey's responsibility to care for her younger brothers and sisters when they were away.

Tracey left home and was living on the streets at 13. Tracey was placed in a residential care facility at 14 years of age and stayed there until she was 17, when she decided to "give rehab a go". Tracey went to a drug and alcohol rehabilitation centre four times and was asked to leave twice.

Tracey found out she was pregnant at 20. She was able to secure housing with her sister and gave birth to her daughter. Tracey experienced post-natal depression and was relying on alcohol to deal with the stresses of being a new Mum. Tracey's sister helped her care for her daughter and made the decision to remove the daughter to the Island to be cared for by family.

Tracey knew that she wanted something better for her daughter and wanted her back in her care. As part of a Care Plan, Tracey was ordered to participate in parenting programs. Tracey tried a few parenting programs that she found was "too judged" and "shame job" attending, until she was offered Newpin.

"I remember the Family Worker came out to visit and gave me a choice, first time anyone said 'this is your choice'. Then I visited the site and knew that they cared about me, the big boss offered to make me something to eat. That was when I knew they were ok and that Newpin was for me."

Tracey proved to be a fast learner and thrived in the Newpin group environment. She was able to explore new behaviours, provide support to her peers, develop skills, and promote more genuine interactions with others through sharing her experiences. Tracey learnt how to play in developmentally appropriate ways with her daughter and both Tracey and her daughter were given therapeutic and practical support to help them overcome the trauma of separation and loss.

Much to everyone's delight Tracey had another baby whilst at Newpin. She has now successfully exited Newpin with both children in her care full time.

"If the time was not that long I don't know if my daughter would have come home. I thought I would get sick of going, but I do not want to leave. I have had so much support and feel very safe at Newpin, I can't wait until I can come back and be a peer mentor."

4. Name has been changed to protect privacy.

Termination of the Newpin Qld SBB

As outlined in the 2019 Annual Report, a Scheduled Review of the Newpin Qld SBB was commenced by the Joint Working Group (JWG) in December 2019, in accordance with the terms of the Implementation Agreement. The JWG comprises representatives of SVA, the State and UCQ.

A key issue addressed during the Scheduled Review was the continuation of the challenges experienced at the Cairns Newpin Centre. Despite previous contractual amendments and operational adjustments, and the ongoing endeavours of all parties, the JWG agreed that the continued operation of the Cairns Centre was not in the best interests of the community, UCQ or their service delivery partners.

During the Scheduled Review, the JWG members considered a range of options, and after doing so UCQ and SVA proposed a number of changes to the Newpin Qld SBB. Under the terms of the Implementation Agreement, the parties then entered a negotiation period to seek agreement on contractual amendments. That negotiation period concluded without agreement being reached, and the State indicated a preference for termination of the Newpin Qld SBB.

On 8 May 2020 UCQ formally served notice of termination under clause 14.4(a) of the Implementation Agreement, with the Termination Date set as 5 June 2020.



Early Repayment under the Loan Deed

The termination of the Implementation Agreement triggered early repayment under the Loan Deed. The Repayment Date was 15 June 2020. The termination payment made by UCQ to the Newpin Qld SBB Trust comprised:

- the outstanding Principal;
- a Performance Interest Payment; and
- an accrued Fixed Interest Payment.

Termination of the Implementation Agreement occurred before 30 June 2020 under a 'no fault' scenario. As set out in Section 7 of the [Information Memorandum](#), the payments to be made under that circumstance were therefore calculated as follows:

Outstanding principal

The outstanding Principal as at the Repayment Date was \$6,000,000, which was repaid in full.

Performance Interest Payment

$$\text{Performance Interest Payment} = \text{Principal} \times 5\% \times n / 36$$

where n is the number of days from Financial Close (6 July 2017) to the Repayment Date (15 June 2020), which is 1,075 days.

Hence, the Performance Interest Payment is 14.720% x \$6,000,000, or \$883,561.64.

Fixed Interest Payment

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

where n is the number of days from the last Interest Payment Date (30 September 2019) to the Repayment Date (15 June 2020), which is 259 days.

Hence, the Fixed Interest Payment 1.419% x \$6,000,000, or \$85,150.68.

The total interest amount was \$968,712.32, or **16.145%** of Principal.

Payments under the SBB Deed Poll

On 24 June 2020, the Notes were redeemed and Noteholders received an amount equal to their proportion of the termination interest payments received from UCQ by the Newpin Qld SBB Trust.



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. 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, p12: UnitingCare Queensland clients. Photos: UnitingCare Queensland

P6, p10, p11, p13: Logan centre. Supplied by UnitingCare Queensland

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