

# Social Finance Forum – 7- 8August

## 2013 Radisson Blu

---

### Social Impact Bond Schemes & Service Providers

Partnering with Government and other stakeholders on community needs expectations project timing and delivering successful outcomes.

Overcoming the hurdle of demonstrating proof of concept

A presentation by Louise Voigt, CEO and Director of Welfare, Barnardos Australia on 8 August, 2013.

#### Introduction

My name is Louise Voigt and I have been CEO of Barnardos Australia for more than 2 decades. Like the others case examples, I will be talking particularly in reference to the NSW Social Bonds but, unlike the other 3 speakers in this section, **we did not succeed**.

I will be suggesting the failure was not because of community needs, project timing, or capacity to deliver successful outcomes, or because of overcoming the hurdle of demonstrating proof of concept – rather, it was because of strongly polarised views about the legitimacy of the concept itself – at a particular political time in history. Rational plans and strategies are, as so often happens, affected by less rational, more hidden influences. It became politically unacceptable at that time.

In case you may have gained the wrong impression from our failure, I am delighted to say that the NSW Government is funding our project on a Results Achieved basis; for us, a far less arduous commitment than developing a bond! I gained the impression from discussion with colleagues that undertaking social bond financing has been a resource-intensive and time-consuming process.

Failure of social bonds has caused me to reflect on the funding of social welfare from the position of CEO of a charity. From this position, I have experienced significant shifts in the last two decades in how government and other stakeholders fund services we provide.

All governments are contracting out services they previously delivered. Fewer and fewer services are seen as core services for government to deliver as it divests itself of an increasing number of functions to not for profits, as well as for profit, organisations.

We non government agencies are expanding from our original charitable briefs, and funding is a complex business as we try to fit numbers of government or other specialised funding sources to the holistic needs of human beings. Barnardos has 134 Government funding sources alone.

We, the non government sector, are growing. Currently, we contribute 43 billion to Australia's GDP and 8% of employment. With increasing funding has come a need for far greater accountability. Rather than "funds to help you to provide your foster care program" - which we saw until the mid

1990's - we now make submissions for contracts to provide service to a detailed number of children at a determined level. Performance measures are now usual. The narrative from government departments for the change is, in my area, "the greater capacity for the non government to develop flexible, responsible service, closer to the clients, delivered more economically. The choice, however, to contract out is clearly to contain costs."

But with the increasing demands for accountability and scrutiny, there have been escalating wage pressures and chronic short funding by governments. Cassandra Wilkinson recently reminded us that there is a "convenient blindness to the implications of not providing quality services and anticipating the social costs which will flow from this." Donors and other stakeholders also increasingly require defined productivity.

In this climate, measurement of process proliferates but the measurement of outcomes is poorly understood and research is often very expensive.

Non government organisations are no strangers to risk. Child Protection, both government and non government, is under constant scrutiny. The media is ever vigilant. Our risks are high. As an agency, we take on huge financial risk to care for children for 10 to 15 years without having a 'guaranteed' ongoing source of institutional finance. Currently, government funding contracts are for three years. Like many non-religious NGOs, we have no organisation to fall back on if grants and fundraising fail - either over the short or long term. For all programs we must be prepared to contract or expand as funds dictate, managing clients and staff accordingly. Risk must be judged over a very long period, as children stay with us throughout their childhoods and only as adults can our results be judged. It is a difficult business and there is no simple measure of our success.

Profit is easy to measure but measuring change in children's lives is value-laden and complex, identifying many failures. Australia has seen three major Federal Inquiries into fundamental child welfare practice over the past 15 years. (*HEROC Stolen Generations 1997, 2004 Forgotten Australians, Children in Institutions*) as well as State Inquiries in each state, the latest being in Queensland. All have demonstrated failure to assist children in need.

Until recently, Out of Home Care agencies were not so closely monitored by government and funding was 'free enough' to allow a great deal of creativity in how we developed programs. Organisations were fully accountable for the partial funds allocated but the model of care was not imposed on us. During this period, Barnardos developed two very different forms of care - one was a program aiming to restore children to their natural families with short-term foster care, and the other was an open adoption program for those children who the courts determined would live in care indefinitely. But the days of creative funding are over. In 2011, we needed to take up the challenge of looking at new funding sources if we wanted to grow, such as social finance with the NSW Government, prepared to support the Social Impact Bond initiative.

## **Our experience with Social Impact Bonds**

The failure of our Expression of Interest was **a considerable surprise to my organisation**. We were confident we had a proposal that would save the government a fortune. We understood the costs very well and we believed the project would attract investors. We had excellent experience and a proven welfare model, which had already delivered easily measurable results for known social outcomes.

**We knew we could save governments a lot of money in both the short and long term.** Before our submission to Treasury, we had commissioned a reputable actuary to analyse the cost savings we

had already achieved for government through our open adoption of children in foster care over the previous 10 years. This had provided evidence that millions of dollars were saved and demonstrated an increasing number and rate of open adoptions being carried out by Barnardos. The evidence was unequivocal – in today's costs, following an adoption order from the Supreme Court when, at the point that the adoptive parents become fully responsible for the child, there is a cost saving to government of \$100.00 per day or \$37,000 per year over, let's say, an average of 10 years. Daily cost to the NSW Government was based on 2009 modelling by the Boston Consulting Group in a report on the cost of general foster care (commissioned by the Department of Community Services). Approximately half the costs are payments to carers and direct costs of meeting children's needs; the other half was the cost of providing supervising case work.

In the long term, adoption outcomes for children in child welfare have repeatedly shown significantly more positive outcomes for children than foster care, worldwide. Research shows improvement in children's wellbeing and future social development, that is, better health and education, less involvement with juvenile justice or the criminal justice system, fewer mental health admissions or involvement, fewer early pregnancies, less homelessness and so on. It lowers future social costs of the next generation's involvement with the child protection system. The younger the placement of the child for adoption, the better the outcome.

**We understood our costs very well.** Barnardos had, unusually for the Non Government sector, a clearly researched 'unit cost' for undertaking the work necessary to achieve open adoption. This work, published in 2010, was undertaken by a social work professor from Melbourne University and an econometrician from Monash University. The cost figure was based on data that was gathered by caseworkers who provided daily workflow over a nine-month period in respect to certain populations of children in Barnardos' foster care – the most comprehensive unit cost study of its kind in Australia.

We were therefore in an ideal position to report success/failure.

**Most importantly, we believed in this project.** It was clearly addressing a social problem recognised by all stakeholders. The numerous child protection inquiries in each state in Australia mirrored the international scene and showed the failure of the current system to achieve outcomes for children involved in statutory child protection who had been removed from their families because for abuse and neglect.

We have known in NSW for many years that there are high long-term financial costs. The work of Associate Professor Judy Cashmore from the Law School at Sydney University is a local source documenting the high dependency on social services of those leaving the foster care system.

**We knew that the ordinary public would be very positive** towards our concept. We have always received a good response to funding campaigns involving our adoption program. For example, our donors had supported a campaign about finding permanency through adoption for children in 2001, when asked individually to advocate for improved legal adoption opportunities, many wrote to their local members of parliament. Barnardos was aware that corporations - and industry generally - shared our view that the concept of adoption was a way of reducing the suffering of children and of giving them a better life, as well as preventing the resulting social problems created by our failing those children. Barnardos found that corporate support was more easily forthcoming for permanent foster care/open adoption than for other less easily understood programs of family support.

We felt we were in an excellent position to have our social bond proposal considered. We had a vital **social problem, well recognised by all stakeholders**, government, industry and the community.

We also knew that there are many couples desperate to adopt children - especially babies.

We were addressing a problem with:

- huge government costs during childhood
- huge future social costs,

and we had a proven method to prevent these outcomes and easily measurable data on success - a Supreme Court Adoption Order.

We were confident, therefore, when we prepared an Expression of Interest pilot for the Social Bonds issue, to include financial benefit to investors.

## The Project

Our project was for the open adoption of non Aboriginal children, who would otherwise live their life in foster care. These are children already removed from their birth families permanently by the Children's Court of NSW - approximately 50% of them are less than 5 years old when they are removed.

In the last decade, increasing recognition of the foster care system in both the United States and the United Kingdom, meant adoption programs were developing worldwide but this was not happening anywhere in Australia. Indeed, it is so usual in the UK that social financing is involved in adoption of complex, hard to place, children. Barnardos, alone, was an early innovator in Australia of the concept – our first adoption of children from the statutory care system was in the 1990s.

Barnardos provides OPEN adoption, that is, children remain in very limited contact with their biological family to ensure that past identity issues for adopted children do not occur. They know their origins.

Barnardos wanted to be accepted for the social bonds initiative as we see this as a way to expand our program and influence other agencies to accept adoption.

Following our Expression of Interest, we were invited to attend Treasury to talk further to it. Treasury clarified the reasoning and recognised the substantial saving to government and the increasing growth in numbers of adoptees and the reduction in age of children concerned. They acknowledged the huge cost savings already achieved by us during the previous 10 years. **Therefore, we were very surprised that we were not one of the successful pilots.**

Before I go further, I will remind you again that the failure to be accepted for social bonds in any way affected the outcomes for the children from the open adoption project. Treasury committed direct funding to this project and currently pays a pro rata bonus for each adoption secured, leaving Barnardos free to develop the program within the legal framework in any way we wish.

## Our learning from the Social Bond Proposal

- 1. Social bonds are part of wider changes in funding to welfare services that need to be considered carefully**

The development of social bonds is only one way in which the financing of social infrastructure has changed over the last decade, altering the fundamental behaviour of non government agencies. A considerable amount of information has been generated describing this changed financial landscape and it has clearly been part of a broader process which is occurring, towards a more industry-like and

business-like expectation of charity that fits with a philosophic view of the way in which society functions.

However, this view that society's ills can be addressed in a rational, measurable manner poses some fundamental problems. On the one hand, this way of funding fits well with an increasing expectation of evidence-based social work and practice. *Evidence-based*, of course, is the buzz word heard around social work in universities and is part of the reason why non government organisations, such as my own, engage in research. However, it leaves apart the fact that not all things can be treated, cured or changed, and notions of improvement do not sit easily with a social value which suggests that taking a humane and socially responsible approach to those in society who are in need is, in itself, an improvement in the life of society. If we live in a civil society or wish to build one, we also need to recognise that not everyone will succeed or be cured and many will still need support.

**2. Social Bonds are particularly useful for Projects which cannot be funded by Government because the methods are not acceptable to wider 'public opinion' BUT have a clear result of social good, and are acceptable to some in society.**

- Recidivism is an area which governments have had difficulty in funding. Criminals, and even offending young people, must be seen to be punished and a program which is seen to come down too 'soft' on offenders is not politically acceptable. We have a number of social goals for prisoners - we want to punish, to create a deterrent to crime BUT we also want to rehabilitate and stop re-incarceration and related future costs. Social bonds can appeal to those who support rehabilitation.
- There may, however, be areas where social prejudice is so strong the Government could not be seen to be supporting the projects. This may include monetary incentives to stop certain behaviours, for example, there is research showing that when young mothers living in poverty were paid to stop smoking, they actually did. The monetary reward was enough to provide support to kick the habit; paying for children to attend school or young mums to continue breast feeding or encouraging other desirable behaviour seems 'not acceptable'. Paying people to stop behaviour seems too difficult to fund even if it works.

**3. Social Bonds need to be considered in context.** That is, what programs are suitable to be 'stand alone' and not have a negative impact on the continuum of services affecting a social problem? Positive social programs in one area can create costs in other parts of service systems.

**4. I have spoken about Barnardos' Open Adoption as a unique project with known social effects of the method and clear data. Most social problems are not of this type.** It is very difficult to get evidence for many of the social ventures that need social financing. Evidence of outcomes is expensive to generate and extremely difficult to make meaningful. For example, over what timeframe is it required? It may take 20 or 30 years to understand effects occurring in childhood.

It is very expensive to generate evidence - my own agency took twelve years to devise, fund and undertake a ten-year longitudinal study of children going through our long-term program. Few non

government agencies have the resources. Funds are particularly needed for research to provide the evidence to support social financing.

**Finally**, our learning about social bonds was not about any of the issues generally and rationally discussed – Will it work? Is it worthwhile? Will it be financially viable? What is the risk? What will be the return to investors? – but rather, it was about strong emotions about the *concept* of adoption.

Bonds will not be funded if there is significant resistance to the concept by bureaucrats and professionals. This may be what happened to our project. Adoption is, generally, strongly opposed by lawyers concerned about the ‘rights’ of parents, even when the Court has found children have to be permanently removed from parental care. Social workers and staff of social welfare departments were, until very recently, vocally opposed to adoption - and it generates strong feelings.

Many are strongly influenced by anti-adoption sentiment only in part arising from experience of the forced adoptions of the 1950s and the Stolen Generations. The social work profession fears that they will be blamed for unanticipated consequences; but there is also a consistent, but often unreasoned, belief that social welfare professionals can bring about significant change in entrenched behaviour of parents which is highly questionable.

The concept of adoption has been demonised without any examination of the change in the characteristics of the modern adoption concept. It is no longer a closed adoption hiding genetic origins as it was in the past. Discussion of the tragedy of adults suddenly discovering that they did not have the ancestry they always believed they had, or that their parents were not genetically attached, has no place in modern open adoption practice. Most of our children have contact with their birth families via a Supreme Court Contact Order, which ensures they can always know their own history.

Further, children are not stolen. They have, prior to any adoption plan, been removed for the whole of their childhood from family situations in which the Court, after full consideration of the evidence, believes are unsafe and that the children will suffer ongoing abuse or neglect. These children would, without adoption, spend their whole childhood in the welfare care system, which often involves an unthinking acceptance of adult rights over the rights of children who have no family, and this urgently needs to be re-examined.

Lastly, however, our proposal was being assessed during the time of the Premier’s apology for the forced adoptions of children by the charities and Government of NSW and the media exposure of the tragedy for relinquishing mothers, as well as the ongoing shadow of the ‘Stolen Generations’ tragedies.

There is now a change. Pru Goward, Minister for Community Services, has clearly advocated her support for adoption and plans for her Department of Community Services to change. Change is occurring. The pattern of serious prejudice is now changing. One politician in one state in Australia is now changing the expectations of the NSW Government Department, social workers and lawyers and this change is beginning to be noticed in other states. This same pattern of political initiative has been seen in the United Kingdom and the United States and we at Barnardos look forward to becoming mainstream.

---

It may be that social bonds are most appropriate where there is little or no risk. Perhaps governments should maintain funding for sure-fire measures to save money, as they have with us.

Our negotiated funding mechanisms have ensured that 25 babies and toddlers in the calendar year 2012-2013 are now not dependent on State care. As a social worker, this delights me. There are now fewer children who will suffer the indignity and damage of growing up belonging to no one.

Moving 25 children out of foster care at \$100 per day for, let us say, an average of 10 years, saves the NSW State Government \$9,250,000; with an additional cost of \$950,000 to achieve adoption, paid to our agency for increased work.

**In closing** - I want to say that Barnardos is committed to assessment of social bonds and will follow developments with interest. We currently have a small pilot in a women's prison in Western NSW which we believed could tackle recidivism, as well as the 'in care' costs of the children of imprisoned Aboriginal mothers, and we will submit this proposal for social funding and bonds if more become available. We might be lucky next time.

I wish my colleagues the best of luck and hope that this experiment will contribute to the welfare of Australia's children.