Dear Investor,

Social Ventures Australia (SVA) is pleased to present the Newpin Social Benefit Bond (Newpin SBB) Annual Investor Report for the year ending 30 June 2018.

The Newpin SBB has continued to perform well in its fifth year of operation, producing strong social outcomes and financial returns. Three new Newpin centres opened in 2017, representing a significant step-up in the scale of Newpin and the impact the program will generate.

This year saw the number of children successfully restored to the care of their families grow to 272, at an overall restoration rate of 63.3%. The program has also supported an additional 12 families in preventing their children entering into care.

Overall, the Newpin SBB has now delivered a 13.5% p.a. financial return to investors.

We hope you enjoy reading this report, and thank you for your continued support.

Michael Lynch
Executive Director
Impact Investing

Elyse Sainty
Director
Impact Investing

The Hon. Pru Goward MP, NSW Minister for Family and Community Services, Minister for Social Housing, and Minister for the Prevention of Domestic Violence and Sexual Assault

“Newpin continues to preserve and build stronger relationships between children and their parents so they can return home safely. I am pleased to see the Newpin Social Benefit Bond finishing its fifth year with such great outcomes. Newpin continues to demonstrate the impact of partnerships between government, non-government and the private sector to improve outcomes for vulnerable children and families in NSW.”

Pru Goward MP
NEWPIN OVERVIEW

The Newpin SBB funds the vital work of the Newpin program, which is run by Uniting. The Newpin SBB will operate for 7.25 years, utilising $7 million of capital from investors. It is underpinned by an outcomes-based contract between the NSW Government and Uniting.

The purpose of the Newpin program is to restore children in out-of-home care to the care of their parents 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 and 3). It is an intensive 12 to 18-month therapeutic course for families with young children aged five years or less, and operates centres supporting both mothers and fathers.

Figure 1: Newpin family cohorts

<table>
<thead>
<tr>
<th>Cohort 1</th>
<th>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.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cohort 2</td>
<td>Families that have at least one child aged five years or less that has been assessed as being at risk of serious harm.</td>
</tr>
<tr>
<td>Cohort 3</td>
<td>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.</td>
</tr>
</tbody>
</table>

Celebrating 20 years of Newpin

This year Uniting Newpin celebrates its twentieth anniversary in Australia, which includes five years operating under the Newpin SBB arrangement.

Uniting first brought the Newpin program to Australia in 1998, based on its early success in the United Kingdom. It aligned with the Uniting Church’s commitment to social justice, and to offering people experiencing disadvantage the opportunity to gain knowledge, support and hope for a better future.

Uniting established the first Newpin centre in Australia at Bidwill in Sydney’s western suburbs in April 1998. This was facilitated through a rental arrangement with the then Department of Housing, and some funding from the then Department of Community Services. Uniting Church congregations also contributed philanthropically.

By July 2008, there were four Newpin centres operating in Western Sydney: the original Bidwill centre, one at Doonside, a new centre for fathers at Bidwill and a centre at St Marys.

In order to secure government funding to ensure these centres remained financially viable, and to fund the opening of additional centres in NSW, it was recognised that an evidence base of the Newpin program’s success was required. Creating a sustainable Newpin program became the subject of a research study partnership between Uniting and Macquarie University.

In 2012, Uniting and SVA submitted a proposal to the NSW Government for the Newpin Program to be funded on an outcomes basis under a social impact bond arrangement. The proposal was successful, and led to the development of the Newpin SBB.

There are now eight Newpin centres in NSW, and the Newpin program has also been rolled out in Queensland under the Newpin Queensland Social Benefit Bond delivered by UnitingCare Queensland.

NEWPIN PROGRAM UPDATE

In its fifth year, the Newpin SBB program continued to grow and restore children to their families, and positively supported families with children at risk of entering care.

Referrals

A total of 115 children entered Newpin in Cohort 1 families this year (excluding those who were subsequently withdrawn or exempt exits). In addition, 13 children in other cohorts entered the program. In total, 512 children in Cohort 1 families have participated in the Newpin program over the first five years of the SBB, 430 of which have now recorded an outcome.

Figure 2: Cohort 1 referrals by program year

The fall in the number of Cohort 1 children referred to Newpin this year is a reflection of the strong referral numbers in Year 4, and resulting low centre vacancy rates at the start of the year. The overall number of families referred in Year 5 was in line with expectations.

Prior to SBB | Year 1 | Year 2 | Year 3 | Year 4 | Year 5
--- | --- | --- | --- | --- | ---
21 | 66 | 88 | 93 | 129 | 115
Restorations
A total of 78 children were restored to their families during Year 5. Four of those restorations have subsequently been reversed. It should be noted that these families are still within their 12-month assessment period, and it is possible that some additional restorations will break down. Five of the 80 restorations that occurred in 2016-17 were subsequently reversed.

To date, a total of 306 restorations have been achieved, 34 of which were reversed within 12 months of the restoration, resulting in 272 net restorations. 198 net restorations have been made to mothers, and the other 74 to fathers.

The overall reversal rate for mothers is running at 12.4% (down from 14.5% last year), while for fathers it is 7.5% (up from 1.6% last year, noting that absolute numbers are small). The two most common reasons children re-enter out of home care are:

- Domestic violence, where the primary parent chose to engage in a relationship that was deemed unsafe for the family (30% of cases); and
- Mental health issues impacting on the parent’s ability to care for their child (25% of cases).

Figure 3: Net restorations and reversals by year of restoration

199 of the children who have been successfully restored over the first five years of the SBB are in families that have now ‘graduated’ from Newpin. On average, these restorations occurred 6 months after the family entered Newpin. The other 73 children who have been restored remained on the program as at 30 June 2018. A small number of those children (10) have passed the 12 month reversal window, but the families have continued to receive support to ensure that the restoration is sustained.

Unsuccessful exits
An unsuccessful exit occurs when a family leaves the Newpin program before a restoration occurs. An additional 30 children exited Newpin unsuccessfully over the year, bringing the total to 124.

Figure 4: Unsuccessful exits from Newpin

There are many factors that contribute to parents being unable to make the changes needed to ensure their children can be safely restored to their care. An analysis of the primary reasons that families have exited Newpin unsuccessfully shows that the four largest factors are:

- Substance abuse (22%);
- Failure to engage in the program (15%);
- Domestic violence (13%); and
- Mental illness (11%).

Rate of restoration
The overall rate of restoration to the end of Year 5 is 63.3%. This figure is net of reversals and is the aggregate outcome for both mothers and fathers.

The overall rate of restoration has increased steadily since the inception of the SBB. The rate achieved for mothers is slightly higher than that for fathers, at 64.9% and 59.2% respectively, despite the higher reversal rate for mothers.

Figure 5: Cumulative rate of restoration at year end
NEWPIN PROGRAM UPDATE (CONT.)

The program's restoration performance to date has been analysed based on the period during which a family first entered Newpin (see Figure 6 below). Because restorations typically occur earlier than unsuccessful exits (and, by definition, reversals), restoration rates for recent entrants will tend to overstate the likely long-term outcomes. The ‘intake year’ rates change as those children who are still active progress to either a restoration or an unsuccessful outcome. Of the group that entered over Year 5, 70% are yet to have an outcome.

Figure 6: Restoration rates by year of referral to Newpin

<table>
<thead>
<tr>
<th>Year of initial referral to Newpin</th>
<th>Restoration rate at end of Year 4</th>
<th>Restoration rate at end of Year 5</th>
<th>Active children (not yet restored)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior to SBB commencement</td>
<td>10%</td>
<td>10%</td>
<td>-</td>
</tr>
<tr>
<td>Year 1</td>
<td>65%</td>
<td>65%</td>
<td>-</td>
</tr>
<tr>
<td>Year 2</td>
<td>51%</td>
<td>51%</td>
<td>-</td>
</tr>
<tr>
<td>Year 3</td>
<td>75%</td>
<td>75%</td>
<td>-</td>
</tr>
<tr>
<td>Year 4</td>
<td>79%</td>
<td>65%</td>
<td>2</td>
</tr>
<tr>
<td>Year 5</td>
<td>86%</td>
<td>80%</td>
<td></td>
</tr>
</tbody>
</table>

Counterfactual outcomes

The ‘counterfactual’ is the estimate of what would have happened in the absence of the Newpin program. Over the first three years of the SBB, a fixed Counterfactual Rate of Restoration of 25% was used to determine outcome payments from the NSW Government to Uniting. In Year 4, the outcomes of a matched Control Group were used to determine the Counterfactual Rate of Restoration, and the rate was 19.2%. Over Year 5, the outcomes for the Control Group continued to track at a similar level.

Changes to the out-of-home care policy environment and the expansion of the Newpin program have led to increasing difficulties in finding sufficient numbers of appropriately matched families to include in the Control Group. As a result, the Government and Uniting have agreed to adopt a fixed Counterfactual Rate of Restoration of 20% for Years 5-7 of the SBB.

Using the Counterfactual Rate of Restoration, approximately 96 restorations would have been expected from the 430 children who have had an outcome recorded to date (either a restoration or an unsuccessful exit). The Newpin program has thus been successful in reuniting around 176 children with their families who would otherwise have been expected to remain in out-of-home care.

NEWPIN PROGRAM UPDATE (CONT.)

Cohort 2 and 3 results

During Year 5, 12 families were successfully supported in preventing their children entering into care. This brings the total number of families successfully supported to 50. Although Newpin only works with small numbers of Cohort 2 families, these families are always at high risk of having their children removed.

Program expansion

Three Newpin centres were formally opened over the year, bringing the total number to eight:

- Lambton in Newcastle, which replaced the temporary site opened in the previous year;
- Port Kembla; and
- Hurstville.

Staff and families at all three centres have settled well into the Newpin program. Newcastle and Port Kembla have achieved their first restorations, and as at 30 June there had been no unsuccessful exits.

Uniting is working closely with the Department of Family and Community Services (FACS) to build the number of referrals to all new centres. Vacancy rates at the new Hurstville centre remain higher than planned, and significant effort is being made to increase the rate of referrals.

With only two years until the completion of the SBB contract term, there are no plans to open any further Newpin centres.
NEWPIN PROGRAM UPDATE (CONT.)

John's story

Former interstate truck driver John has seen some tough things on the road. The 61-year-old father of two adults, one teenager and an active five-year-old has previously lived in a world surrounded by drug use and physical violence. But the thought of permanently losing his youngest son, for whom he was appointed sole carer since birth, led him to the Newpin program. This, he says, was also a tough journey, but one which he knew he had to take. Not only did it give him a new perspective on life, he now enjoys better relationships with all four of his sons.

John first became a dad at 25 and has two grown sons aged 37 and 36. His relationship with his wife broke down, and John later had a third son, now 16, and separated from his mother. Nine years later, he met the sister of a fellow driver and his youngest son was born.

John's youngest son was born three and a half months' premature and his mum's history, which included drug use, meant that John was appointed as his primary carer. An altercation at John's home involving the mother of his son and some visitors resulted in the police being called. Two days later John was called to meet with FACS. FACS told John that he had failed to keep his son safe, and gave him the option to put him in temporary care whilst he worked through his personal issues or to remove the child from John's care permanently. John's son was six months old at the time and John was distressed at the thought of losing him.

“I confess I was quite oppositional to FACS as I felt under attack. My relationship with my caseworker was very strained, and at one stage they would only come to visit with a security guard.”

FACS referred John to Newpin, and John was determined for his son to be returned to his care. John participated actively in his Newpin group therapy sessions, and also began studying a youth counselling course. John reflects on his experience of Newpin:

“I was uncertain what I was getting into. I remember the first time I went there I heard other dads tell their stories about how they got their kids back, but I kept quiet. It wasn’t long until I felt comfortable to tell my story and to get to know the other dads. I enjoyed every day I went there and did everything that was required. My sole purpose was to get my son back.”

John was granted custody when his son was just over a year old, and he has remained in his care ever since.

“Newpin was good for me because no one judges you. It’s a very trying time when you lose a child. I was lucky to witness seven or eight restorations. I now keep in contact with eight or nine blokes who’ve got their kids back and they are doing really well.”

John is now a full-time stay at home dad and his son will start school next year. He is also looking to pick up some casual driving work and plans to complete the youth counselling course.

INVESTOR RETURNS

We are pleased to report that the fifth year of the Newpin SBB has again delivered positive results for investors.

Restoration Rate

The Restoration Rate determines the Interest Payments that are payable by Uniting under the UC Loan Agreement, and hence the Coupon Payments to investors. For this purpose, 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 parent(s), where the restoration has not been reversed within 12 months. Reversals are capped at 10% of the cumulative number of restorations. The Restoration Rate is calculated annually at the end of each financial year based on cumulative restoration results.

The Restoration Rate at the end of Year 5 was 66.69%, calculated as follows:

\[
\text{Restoration Rate} = \frac{(\text{Restorations} - \text{Capped Reversals})}{(\text{Restorations} + \text{Unsuccessful Exits})}
\]

This outcome is a slight increase on the rate at the end of Year 4, which was 66.29%.

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

Interest Rate

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

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

Subject to:
- If the Restoration Rate is below 55% the Interest Rate is nil; and
- A maximum of 15%.

With a Restoration Rate of 66.69%, the Interest Rate is thus 13.521%.

Coupon Payment

Coupon Payments will be made to investors promptly following receipt of the Interest Payment from Uniting, due on 30 September 2018. Investors will receive a Coupon Payment representing their pro-rata share of the Interest Payment received from Uniting.

The Interest Payment is calculated as follows:

\[
\text{Interest Payment} = (\text{Loan amount} \times \text{Interest Rate} \times \text{total elapsed years}) - \text{prior year payments}
\]

\[
= (\$7,000,000 \times 13.521\% \times 1.917/365) - 33,917,291
\]

\[
= -1,053,621
\]

2. The Interest Rate and resulting Interest Payment (and therefore Coupon Payment) have been independently certified by Deloitte.
Due to the cumulative nature of the Interest Payment calculations, the Coupon Payment paid to investors will effectively be 13.521% for Year 5 plus the difference between the Year 4 Interest Rate and Year 5 Interest Rate for the first 4.25 years. This equals 13.521% + (13.521% - 13.161%) x 4.25, a total of 15.05% of the amount invested.

If the cumulative mothers’ Restoration Rate in future years falls below 66.66%, the effective ‘overpayment’ for the first 5.25 years will be netted off future investor coupons. For example, if the Restoration Rate at the end of Year 6 is 64.3% or below, then the cumulative Interest Rate would be 11.36% or lower. Applying the same formula as above, the Coupon Payment would be nil.

We would like to stress that whilst the performance over the first five years has been positive, variations in future performance could detrimentally affect the cumulative Restoration Rate and investors’ returns.

Late payment interest
The Coupon Payment to investors this year will include an adjustment to pass on late payment interest that arose in relation to the Year 4 payments. The aggregate late payment interest comprises:

- $1,834.87, being six days’ interest payable by Uniting on the late payment of the Year 4 Interest Payment (monies were due on Friday 29 September 2017, but were received on 5 October); and
- $305.81, being one day’s interest payable by SVA. Under the terms of the Management Agreement, SVA has two Business Days to make payments to investors subsequent to receipt of funds from Uniting; the process took three days last year.

SVA and Uniting will work closely together to ensure future payments are made in a timely fashion.

Early termination payment
If the Newpin SBB were to terminate for any reason during the year ending 30 June 2019, under the terms of the UC Loan Agreement investors would receive 100% of their principal.

3. Calculated as (11.36% - (13.36% - 13.521% ) x 6.25) / 0%

Tracie’s story
Tracie Mitchell, Coordinator at the St Marys Newpin centre, has delivered the Newpin program for the past 18 years and has witnessed the impact of the program firsthand for hundreds of families. Tracie reflects on her experiences, including how the program has evolved under the Newpin SBB arrangement since it commenced in 2013.

“A lot has changed since our early days, as is to be expected over twenty years.

In the early pre-SBB days, we started with a maximum of 25 families and operated out of one location. Today we provide for up to 218 families across eight locations.

The expansion of our services across Sydney and in the Illawarra (Port Kembla), Central Coast (Wyong), and Newcastle (Lambton) has allowed us to extend our reach to more families and in different areas. In the beginning, the majority of referrals had a focus on family preservation. The majority of referrals came from community health services, schools and other local family support and counselling services. Only a small number were from the Department. Since the Newpin SBB commenced in 2013, all our families have been referred by FACS and we have been more heavily focused on restoration. Our relationship with FACS is more integrated, and we now work closely with FACS case workers and spend more time at Children’s Court. We have a strong focus on contact visits and providing safe, secure and nurturing spaces for our parents and children.

The duration that families spend in the Newpin program has also changed.

Some families used to stay in Newpin for two and a half years, particularly those with very complex needs. Now families attend for around 18 months, and on rare occasions we extend to two years. This timing coincides with the timeframe of the court process. We continue to work with families for six months after restoration, as this can be a challenging time for parents. It allows us to ensure that the restoration has been successful and to make sure parents get as much support as possible throughout the process.

From a coordinator’s perspective, the administrative element of our role has increased, but for good reason as we can measure our progress. Face-to-face time with families has increased from four days to five days and one evening. Fathers now attend the centre and participate in contact visits with mothers. Each centre also runs separate fathers outreach groups.

What’s important is that the essence of the program remains the same, as does the way in which we deliver our service. I love the way the Newpin program works with people in a genuine and respectful way, acknowledging any trauma that parents have experienced. It views past experience in a strength-based way, so for someone who has experienced domestic violence, we see them as having wisdom because of their experience, rather than as a victim. This empowers them to share with and support others. I can’t believe some of our clients get up every day and function, let alone put genuine effort into making positive changes for their children, it’s amazing.

“This job fits who I am. I love the privilege of supporting a family over time and sharing their journey for a short period of their lives.”

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This document has been prepared by Social Ventures Australia (ACN 100 487 572), (SVA) as the Manager of the SBB Newpin Trust. Please refer to the Information Memorandum for the Newpin Social Benefit Bond dated April 2013 and the Newpin Social Benefit Bond Amendments Supporting Information dated June 2015 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.

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