Foreword

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 2019.

This is the penultimate annual report, with the Newpin Program now in its final year of operation under the social benefit bond funding arrangement. Negotiations are currently underway between Uniting and NSW Department of Communities & Justice¹ (the Department) for a 'follow on' contract, with consideration for the future role of the Newpin Program in ensuring all children are in safe, permanent homes.

As outlined in this report, restoration results continue to be in line with the plan that was established at the outset of the contract, delivering strong social outcomes and financial returns.

The number of children that Newpin has helped restore to the care of their families now stands at 328, at an overall restoration rate of 63.0%. The program has also supported an additional 55 families in preventing their children entering care.

Overall, the Newpin SBB has now delivered a financial return to investors of 11.6% per annum.

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

Michael Lynch
Executive Director, Impact Investing
Social Ventures Australia

Elyse Sainty
Director, Impact Investing
Social Ventures Australia

¹ Formerly the Department of Family and Community Services

As Uniting’s Newpin Program moves into its final year under the Social Benefit Bond, I am pleased to see it continues to achieve positive outcomes for children and families in NSW.

Newpin continues to support parents to make significant and lasting change so that they can provide safe homes for their children.

The program is testament to the impact that can be achieved through effective government, non-government and investor partnerships.

Gareth Ward MP
Minister for Families, Communities and Disability Services

The Uniting Newpin SVA partnership has proved extremely successful in supporting families over the past six years of delivery. We thank SVA and its investors for supporting Newpin to nurture a hopeful future for more than 300 children and families.

As this formal partnership comes to an end and we transition into a new landscape of delivery, Uniting Newpin will continue to serve the community and support outcomes for parents and their children through this important program.

We especially commend all our Newpin families for their ongoing courage and determination.

Tracey Burton
Executive Director, Uniting NSW.ACT
Newpin SBB overview

The Newpin SBB funds the vital work of the Newpin Program in NSW. The program is delivered by Uniting, which 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 offer people experiencing disadvantage the opportunity to gain knowledge, support and hope for a better future. The Newpin SBB has a 7.25 year term, with $7 million of capital from investors underpinning an outcomes-based contract between the Department and Uniting.

Program elements

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 (Cohort 2). It is an intensive 18-month therapeutic program for families with at least one child aged five years or less, with parents and children attending a Newpin Centre two days each week.

Newpin parents, children and practitioners work together towards restoration 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 bonding with their children and to develop positive parenting skills.

Six ‘protective factors’ are used by Newpin practitioners to help strengthen families, prevent abuse and neglect, and promote healthy brain development:

- Nurturing and attachment
- Knowledge of parenting and of child development
- Parental resilience
- Social connections
- Concrete supports for parents
- Social and emotional competence for children

Figure 1: Newpin model
SBB overview

The Newpin SBB is underpinned by an outcomes-based contract between the Department and Uniting. Under that contract, payments are made by the Department based on the number of children restored to the care of their family relative to a ‘counterfactual’ (the number of children expected to be restored if the families had not participated in the Newpin Program).

Investor funds raised by the Newpin SBB Trust were on-lent to Uniting to provide working capital and share in performance risk, with both interest payments and the proportion of capital repaid linked to the proportion of children attending a mothers’ Centre that are restored to the care of their parent (the Restoration Rate). The Target performance scenario is a Restoration Rate of 65%.

Investors receive an annual coupon that is linked to the cumulative Restoration Rate. Under the Target performance scenario investors would receive an overall return of 12% per annum.

---

2. See the Newpin Information Memorandum dated April 2013 for details of the performance scenarios.
Program update

Future plans

The delivery of the Newpin Program under the Newpin SBB contract will end on 30 June 2020. The SBB has provided a unique opportunity to thoroughly evaluate the efficacy of the Newpin Program over many years and multiple locations, and the Department sees the program delivering a vital element of the broader child protection system into the future.

A follow-on contract between Uniting and the Department is currently under negotiation. This contract will retain a performance based component to ensure that the benefits of the current arrangement are retained, while streamlining and simplifying some aspects of both measurement and payment terms.

While the follow-on contract will involve some outcome-based payments, at this stage it is not envisaged that Uniting will require external investor capital, as the level of risk and amount of working capital required will both be lower than under the current contract.

Program evolution

While the core elements of Newpin remain unchanged – in particular the Centre-based nature of the program – the model has evolved over the past six years. One material change is a move away from Centres focussing specifically on either mothers or fathers, with support now provided to both genders at all Centres. Newpin has also adjusted the traditional gendered approach to staffing to be more inclusive. This shift has been driven by a desire to model healthy relationships between men and women for Newpin parents.

Newpin Centres

Over the course of the SBB, Newpin Centres have been opened, and some closed, in response to the level of need in the local community and changes in the broader service delivery landscape.

Table 1: Newpin Centres

<table>
<thead>
<tr>
<th>Newpin Centres</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bidwill mothers’ centre</td>
<td>Open at commencement of SBB; closed Year 1</td>
</tr>
<tr>
<td>Bidwill fathers’ centre</td>
<td>Open at commencement of SBB</td>
</tr>
<tr>
<td></td>
<td>Fathers program closed end of Year 6</td>
</tr>
<tr>
<td>St Mary’s</td>
<td>Open at commencement of SBB</td>
</tr>
<tr>
<td></td>
<td>Closed end of Year 6 – relocated to Bidwill father’s centre</td>
</tr>
<tr>
<td>Doonside</td>
<td>Open at commencement of SBB</td>
</tr>
<tr>
<td>Wyong</td>
<td>Opened in Year 2</td>
</tr>
<tr>
<td>Ingleburn</td>
<td>Opened in Year 3</td>
</tr>
<tr>
<td>Lambton (Newcastle)</td>
<td>Opened in Year 5, replacing temporary site opened in Year 4</td>
</tr>
<tr>
<td>Port Kembla</td>
<td>Opened in Year 5</td>
</tr>
<tr>
<td>Hurstville</td>
<td>Opened in Year 5</td>
</tr>
</tbody>
</table>
A total of seven Centres will operate during the final year of the SBB, and it is intended that all of these Centres will remain open under the follow-on contract.

In recent years there has been a decrease in demand for Newpin support specifically focussed on fathers. Offsetting this trend, Newpin is working with more couples, supporting a holistic approach to family restoration. After monitoring the pattern of referrals, Uniting and the Department made a decision to close the Bidwill Fathers program. Newpin will continue in its commitment to be a fathers’ inclusive practice and will provide support for dads through targeted therapeutic support groups as well as facilitated peer support and joint psycho-educational group work.

Referrals

A total of 115 children entered Newpin in Cohort 1 families this year (net of those who were subsequently excluded from the program).  

In total, 627 children from 366 Cohort 1 families have participated in the Newpin Program over the first six years of the SBB, 521 of which have now recorded an outcome. This is broadly in line with the plan established at the outset of the SBB, under which a total of 730 Cohort 1 children were expected, with 580 planned to be enrolled by the end of Year 6.

Figure 2: Cohort 1 referrals by program year

Over the last year, Newpin referral numbers have continued to be impacted by the evolving child protection system. In late 2017, the Department introduced a new Permanency Support Program, which is one of the most significant changes to be made to NSW child protection and out-of-home care system. The reforms introduced have changed the operational landscape across the state, in particular through the introduction of a focus on restoration within the out-of-home care provider group, as well as an increased focus on permanency support to reduce entries into care.

3. Referrals are reported on the basis of changes in the cumulative referrals net of exclusions from year to year.

Restorations

A total of 58 children were restored to their families during Year 6, with two of those restorations subsequently 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.

To date, a total of 364 restorations have been achieved, 36 of which were reversed within 12 months of the restoration (10%), resulting in **328 net restorations**. 246 net restorations have been made to mothers, and the other 82 to fathers. At inception, it was estimated that 330 net restorations would have been achieved by the end of Year 6, so outcomes are running very close to plan.

The overall reversal rate for mothers is 11%, while for fathers it is 7%. Both these rates have fallen slightly since last year. The first three months post restoration is a high-risk time for families, with approximately one in three reversals occurring within this time period.

**Figure 3: Net restorations and reversals by year of restoration**

276 of the children who have been successfully restored over the first six years of the SBB are in families that have now ‘graduated’ from Newpin. The other 52 children who have been restored remained on the program as at 30 June 2019. A small number of those children (7) 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 33 children exited Newpin unsuccessfully over the year, bringing the total to 157.

Figure 4: Unsuccessful exits from Newpin

Rate of restoration

The overall rate of restoration to the end of Year 6 is 63.0%. This figure is net of reversals and is the aggregate outcome for both mothers and fathers.

The overall rate of restoration has now been stable at around 63% for several years. The rate achieved for mothers is slightly higher than that for fathers, at 63.9% and 60.3% respectively, despite the higher reversal rate for mothers.

Figure 5: Cumulative rate of restoration at year end

5. Calculated as Net restorations / (Net restorations + Reversals + Unsuccessful exits), or 328/(328+36+157)
The program’s restoration performance to date has been analysed based on the period during which a family first entered Newpin (see Table 2 below). The ‘intake year’ rates will change as those children who are still active progress to either a restoration or an unsuccessful outcome. Of the group that entered over Year 6, 80% are yet to have an outcome.

**Table 2: 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 5</th>
<th>Restoration rate at end of Year 6</th>
<th>Active children (not yet restored)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior to SBB commencement</td>
<td>10%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Year 1</td>
<td>65%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Year 2</td>
<td>51%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Year 3</td>
<td>75%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Year 4</td>
<td>65%</td>
<td>64%</td>
<td>-</td>
</tr>
<tr>
<td>Year 5</td>
<td>86%</td>
<td>73%</td>
<td>13</td>
</tr>
<tr>
<td>Year 6</td>
<td>50%</td>
<td>93%</td>
<td></td>
</tr>
</tbody>
</table>

Any children still actively attending Newpin at 30 June 2020 who have not had an outcome (either a restoration or an unsuccessful exit) will be excluded from the determination of the overall rate of restoration.

**Counterfactual outcomes**

The ‘counterfactual’ is the estimate of what would have happened in the absence of the Newpin Program. The Counterfactual Rate of Restoration is used to determine outcome payments from the Department to Uniting, and varies by year as follows:

- For Years 1–3, a fixed rate of 25%.
- For Year 4, a rate of 19.2% based on the outcomes of a matched control group.
- For Years 5–7, a fixed rate of 20%.

Using the Counterfactual Rate of Restoration, approximately 114 restorations would have been expected from the 521 children who have had an outcome recorded to date. The Newpin Program has thus been successful in reuniting an estimated 214 children with their families who would otherwise have been expected to remain in out-of-home care.
Cohort 2 results

During Year 6, five families were successfully supported in preventing their children entering into care. This brings the total number of families successfully supported to 55.

Linda’s story

Linda is proud of how far she has come since her commencement in the Newpin Program in October 2013.

‘I was nervous to go at first, but my motivation was always my kids. I wanted to get my kids back.’

It was a stressful time for Linda, who also had a nine-month-old baby in her care and a history of personal trauma. A big drawcard was that her girls would be at Newpin; she could play with them and they could get to know their baby sister.

Together the family would take part in activities such as baking, and Linda would learn different parenting skills through workshops. Linda says it was nice to learn alongside the other mothers, and hearing their stories made her feel like she wasn’t alone.

In 2015 Linda graduated from Newpin and her two girls were restored to her care. By this time, she had a second baby with her new partner. The process wasn’t always easy, but Linda attributes her understanding of her responsibilities and the change in her relationship with her kids to Newpin.

‘Before [the girls were able to come home] I only had so many hours to see them. Now they wake up at my house in the morning and I get to be a part of everything; the good and the bad.’

‘Rachel is 11 now, she is very smart. She will go a long way in life. Jessica is nine and I didn’t know much about her before, but I’ve loved getting to know her.’

Linda has stayed on track since graduation and has done great things for her family since leaving the program. She married her partner in August last year and all four of her children participated in the wedding. She enjoys the job she started after leaving the program and is hoping to buy a house soon.

‘I’ve had a lot of achievements in life; I’ve come a long way. I’ve learnt skills – positive things – about how to be with my kids.’

‘If I had to encourage someone who had been asked to go to Newpin I would say it’s a real good place; it’s a safe place. The staff listen to you, there is good support.’

6. Names have been changed to protect privacy.
Profile of Newpin participants

On average, Cohort 1 families referred to Newpin have 1.7 children enrolled in the program.

**Figure 6: Cohort 1 families average number of children**

Most of the parents attending Newpin as the ‘primary’ parent are female, but approximately one in four are male. One in five parents identify as Aboriginal and/or Torres Strait Islander; and one in five come from culturally and linguistically diverse backgrounds.

Parents come to Newpin with a wide range of presenting issues, including:

- substance abuse (68%);
- domestic violence (65%); and
- mental health (40%).

There is no consistent link between parents’ presenting issues and the outcomes they achieve. The possible exception is mental health, which may be chronic and persistent and create ongoing challenges for the parent.

Program evaluation

Urbis was appointed in 2013 to undertake an independent evaluation of the Newpin Program over the Newpin SBB contract term. In November 2018, Urbis produced its most recent Interim Evaluation Report on Newpin, building upon the findings of four previous reports. The independent evaluation takes a broad and deep approach to measuring outcomes for Newpin families, beyond the net restoration rate which is used for payment purposes.

Previous reports have also reported on program implementation, operations, governance and process. The most recent report still analyses outcomes for Newpin families, but also reports on practice model developments, and assesses the sustainability and scalability of the Newpin model and implications for future roll-out. All reports are available on the NSW Office of Social Impact Investment website.7

---

Investor returns

**Restoration rate**

The Restoration Rate determines the Interest Payments that are payable by Uniting under the UC Loan Deed, and hence the Coupon Payments to investors.

For this purpose, the Restoration Rate is the proportion of children in out-of-home care who are restored to the care of their parent(s), where:

- the primary parent attending Newpin is their mother, and
- 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 6 was **64.52%**, calculated as follows:

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

\[
= \frac{276 - 27.6}{276 + 109}
\]

\[
= 64.52\%
\]

This outcome is a slight decrease on the rate at the end of Year 5, which was 66.69%.

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:

\[
\text{Interest Rate} = 3\% + [0.9 \times (\text{Restoration Rate} - 55\%)], \text{ subject to a maximum of 15}\%
\]

With a Restoration Rate of 64.52%, the Interest Rate is thus **11.568%**, a reduction from the rate of 13.521% at the end of Year 5.

**Coupon payment**

Coupon Payments will be made to investors promptly following receipt of the Interest Payment from Uniting, due on 30 September 2019. Investors will receive a Coupon Payment representing their pro-rata share of the Interest Payment received from Uniting.

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

\[
= (7,000,000 \times 11.568\% \times 2,282/365) - 4,970,912
\]

\[
= 91,752
\]

---

8. The Interest Rate and resulting Interest Payment (and therefore Coupon Payment) have been independently certified by Deloitte.
The Interest Payment is equivalent to 1.311% of the loan amount ($7 million). Due to the cumulative nature of the interest payment calculations, the payment is effectively 11.568% for Year 6 less the difference between the Year 5 Interest Rate and Year 6 Interest Rate for the first 5.25 years:

Payment = 11.568% + (11.568% - 13.521%) x 5.25 = 1.311%

If the cumulative Restoration Rate at the end of the final year falls below 64.52%, the effective ‘overpayment’ for the first 6.25 years will similarly be netted off the final Interest Payment. If the Restoration Rate at the end of Year 7 is 62.75% or below, then the final cumulative Interest Rate would be 9.97% or lower. Applying the formula above, the Interest Payment would be nil. If there are no clawbacks of ‘overpaid’ interest, **the minimum overall coupon return investors can receive is 9.97% per annum.**

**Early termination payment**

If the Newpin SBB were to terminate early for any reason during the year ending 30 June 2020, under the terms of the UC Loan Agreement investors would receive 100% of their principal.

**Maturity payment**

The proportion of principal that will be repaid when the Newpin SBB matures next year will be determined as follows:

\[
\text{Proportion Repaid} = 50\% + [2.5 \times (\text{Restoration Rate} - 35\%)], \text{ subject to a maximum of} \ 100\%
\]

The cumulative Restoration Rate would need to fall to below 55% for investors to receive less than 100% of their capital. This is theoretically possible but would only eventuate if the rate of restoration in the final year fell to a very low level.

---

9. Calculated as \([9.97\% + (9.97\% - 11.568\%) \times 6.25] = 0\%.\) Interest Payment is subject to a minimum of Nil.
Disclaimer and confidentiality

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.

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.