

# 2016 Statement of Opportunities

APRIL 2016

*NSW Social Impact  
Investment Policy*



**NSW**  
GOVERNMENT

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# Introduction

On 4 February 2015, the NSW Government launched its Social Impact Investment Policy. The policy builds on the success of NSW's social benefit bonds and sets out the Government's intent to support a broader social impact investment market in NSW. As part of the policy, the Government aims to deliver two new social impact investment transactions to market each year.

This statement is an action in the policy. It identifies policy areas in which the NSW Government believes social impact investment can achieve better outcomes. It follows the 2015 Statement of Opportunities, which was released with the policy last year.

Key priority areas in the 2016 statement are:

- increasing permanency for children in out-of-home care, particularly through open adoption
- establishing an Aboriginal centre for excellence in Western Sydney
- increasing access to early childhood education.

For each of these areas, this statement outlines the particular issue that Government is interested in addressing and identifies the outcomes sought through a social impact investment. The purpose of this information is to help market stakeholders think about the opportunities and solutions to some of these issues.

Other areas that are also being explored include:

- homelessness among veterans
- improving waste management
- road safety
- domestic and family violence.

This statement will underpin market soundings to be conducted in the coming months. Feedback from these market soundings will inform whether and how Government proceeds with formal requests for proposals (RFP) later this year. This feedback may mean that the proposed outcome measures and target cohorts outlined here may be refined for RFPs. Market consultation may also help identify the type of social impact investment transactions that may be appropriate for each policy area (e.g. a social benefit bond or payment-by-results mechanism). All of these elements will also be subject to further negotiation with successful proponents.

While the NSW Government believes the priority areas outlined in this statement have the most potential for social impact investment at this time, RFP processes will depend on market feedback and be open to proposals in other areas.

# 1. Increasing permanency for children in out-of-home care, particularly through open adoption

The NSW Government recognises the importance of security and stability for children in out-of-home care. Evidence shows placement instability negatively affects children's current and long term wellbeing, leading to a reduced capacity to form stable relationships, poorer school performance, and more emotional and behavioural problems.<sup>1</sup> Family stability is an important factor in enhancing outcomes for children in various areas, including health, education and interpersonal skills.

Open adoption is the third preferred option on the permanent placement hierarchy for children and young people in out-of-home care in NSW, following restoration and guardianship. However, open adoption is generally not considered appropriate for Aboriginal children and young people. Open adoption and permanency planning has been limited in NSW and across Australia, and the adoption process is often lengthy and complicated. The government is seeking social impact investment proposals to increase open adoptions of children in care, where it is suitable and in the best interests of the child.

## 1.1 Outcomes sought

The ultimate outcome sought through a social impact investment transaction in this area is to increase security, stability and wellbeing for children in out-of-home care through early permanency planning and open adoption, where appropriate.

Specific outcomes we are seeking to achieve for children for whom open adoption is suitable include:

- permanent placement, with stable and continuous relationships with adoptive and birth parents, siblings (where relevant), friends and the local community
- improved educational and health outcomes
- a transparent, timely adoption process.

Broader social and wellbeing outcomes of interest include:

- increased capacity to form relationships with adoptive families and friends
- enhanced intellectual development
- improved social adjustment
- enhanced self-esteem, mental health and school achievement.

## 1.2 Outcome measures

Depending on the intervention and data availability, outcome measures for the transaction may include:

- increased number of out-of-home care adoptions
- reduced number of placements for children in care

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<sup>1</sup> Osmond, J. & Tilbury, C. (2012). Permanency planning concepts. *Children Australia*, 37, 100-107

- reduced average time between a child entering care and being placed in a permanent situation.

The NSW Government is also open to exploring measures associated with the broader social and wellbeing outcomes listed above.

### 1.3 Potential cohort

The NSW Government is particularly interested in interventions for children who are potentially suitable for open adoption in NSW. Given the importance of age at placement, the potential cohort could include a specific focus on a sub-group of children aged under five years. Aboriginal children and young people are excluded from being considered for open adoption through a social impact investment transaction.

Although there are various permanency options available, the NSW Government is particularly interested in interventions related to open adoption as evidence suggests that adopted children have considerably better outcomes on a range of indicators than children who remain in long term foster care or in residential care. Appropriately managed, open adoption can enhance stability, a sense of security, belonging and firm attachments, providing better outcomes for all involved, including birth parents, adoptees, adoptive parents and the broader community.<sup>2</sup> There is a growing body of research examining outcomes for this cohort.<sup>3, 4, 5, 6, 7, 8</sup>

### 1.4 Data

#### Cohort data

At any point in time, the number of children and young people in NSW for whom open adoption could be considered is about 8.2 per cent of the total out-of-home care population.<sup>9</sup> Roughly one-third of these children are aged under five years. However, only 87 adoption orders were made in 2014-15 in NSW.<sup>10</sup> In NSW, the average adoption takes four to five years (and in some cases much longer).

The average length of stay in out-of-home care in NSW is currently approximately 12.9 years, and one-third of children and young people in care have had more than three placements.<sup>11</sup>

<sup>2</sup> Adoption Rethink (2014) Women's Forum Australia.

<sup>3</sup> Triseliotis, J. (2002) Long-term foster care or adoption? The evidence examined. *Child and Family Social Work*, 7, 23-33.

<sup>4</sup> Neil, E. Beek, M. & Schofield G. (2003) Thinking about and managing contact in permanent placements: the differences and similarities between adoptive parents and foster carers, *Clinical child psychology and psychiatry* 8, 3, 401-418.

<sup>5</sup> Cashmore, J. & Paxman, M. (2006) Predicting outcomes for young people leaving care. The importance of 'felt security'. *Child and Family Social work: Special Issue on Leaving Care*. 11, 32 – 241.

<sup>6</sup> Ellerman, C. R. (2008) Influences on the mental health of children placed in foster care. *Family and Community Health. Supplement 2* April – June 2007, pS23 – S32.

<sup>7</sup> Stein, M. (2006) Research review: Young people leaving care. *Child and Family Social Work*, 11, 273 – 279.

<sup>8</sup> Selwyn, J. et.al. (2014) *Beyond the Adoption Order: challenges, interventions and adoption disruption*, University of Bristol School for Policy Studies Hadley Centre for Adoption and Foster Care Studies. At URL: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/301889/Final\\_Report\\_-\\_3rd\\_April\\_2014v2.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/301889/Final_Report_-_3rd_April_2014v2.pdf).

<sup>9</sup> The total OOHC population excluding guardianship orders as at December 2015 was 18,192.

<sup>10</sup> AIHW (2015) Adoptions Australia 2014-15.

<sup>11</sup> KiDS/MDS – CIW Annual Data, <http://www.facs.nsw.gov.au/facs-statistics/objective-1>.

## Cost data

The average annual cost of out-of-home care is between \$30,000 and \$45,000 per child.<sup>12</sup>

The long term or indirect financial cost associated with poor lifetime outcomes for children in out-of-home care is also substantial. The NSW Government is establishing these costs to the state and will make them available in due course.

## 1.5 Principles for effective interventions

The evidence base for increasing permanency for children in out-of-home care indicates that the following principles should be considered in any intervention proposed for this cohort:

- there is a greater use of open adoption for children in out-of-home care, while recognising that different permanency options are required for cohorts such as Aboriginal children
- arrangements are made, in a timely manner, to ensure the provision of a safe, nurturing, stable and secure environment. This includes providing required services and supports to address any trauma the child experienced prior to entry or during care
- skilled and timely assessments are conducted to identify the severity of children's emotional and behavioural needs and to identify children at risk of placement instability
- plans are outlined from the outset for the additional training, support and supervision that adoptive parents may require pre- and post-placement
- contact between a child and their parents, siblings and other family members remains an important consideration for children in care regardless of the permanency plan
- every child in care has a tailored plan which includes developing and sustaining their relationships with people who are willing and able to commit to support to the child into adulthood
- robust monitoring tools are used to track progress and to ensure that milestones are met, therefore minimising delays
- NGOs exhibit an adequate understanding of the casework and evidence required to progress an open adoption, therefore minimising failed attempts to progress an open adoption through the court and/or contested open adoptions
- post-adoption services and support are available to support communication about life stories, birth parent contact, and to provide adoptive parents with support.

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<sup>12</sup> This is an indicative amount based on the current costs of out-of-home care for the potential cohort, discussed in section 1.3. It can be used for modelling at this stage. However, it is subject to change and negotiation during any future RFP and joint development phase depending the target cohort and case mix.

## 2. Establishing an Aboriginal Centre for Excellence in Western Sydney

Western Sydney is Australia's third largest economy behind Sydney and Melbourne, is one of NSW's most significant economic, social and political regions, and has been identified as an economic growth area. Western Sydney also has the highest Aboriginal population in NSW; a young and growing population where there are clear signs of improved school retention and strong participation in vocational education and training (VET). However, compared to non-Aboriginal people in Western Sydney, entrenched disadvantaged means that Aboriginal people are less likely to finish school, hold a post-school qualification, and participate in the labour force.

The NSW Government has committed \$20 million to establish the Aboriginal Centre for Excellence (ACE) to support Aboriginal young people to make successful transitions from school.

The NSW Government believes there is an opportunity for a social impact investment to secure and engage the highest level of educators and teachers in their chosen fields for the ACE. The ACE can then provide a safe place where Aboriginal people can undertake targeted education and employment programs to enable them to have improved outcomes that will benefit the Aboriginal and wider community in the region.

### 2.1 Outcomes sought

The key objective of the facility will be to deliver programs and services that support more Aboriginal young people to successfully transition from school to further education and sustainable employment.

The facility may also deliver initiatives that build and enhance the community's capacity in health and wellbeing; employment and training; cultural development and resilience; and business, enterprise and economic development.

### 2.2 Outcome measures

Initial indicators to measure the outcomes of the facility may be:

- number of participants transitioning to further education
- number of participants transitioning to and maintaining employment
- comparison of ACE rates of transition compared to general rates of transition of Aboriginal young people in Western Sydney to further education
- comparison of ACE rates of transition compared to general rates of transition of Aboriginal young people in Western Sydney to employment
- establishment of corporate and business partnerships.

### 2.3 Potential cohort

The core target group for this centre would be Aboriginal young people of Western Sydney.

## 2.4 Data

Western Sydney has a significant Aboriginal population. In the 2011 Census, 22,615 residents identified as being Aboriginal, with a further 1,198 being Torres Strait Islander or both. This equates to approximately 1.6 per cent of the total population for this region. This also equates to just over 4.3 per cent of the Aboriginal and Torres Strait Islander population across Australia and just under 13.8 per cent of the NSW Aboriginal and Torres Strait Islander population.

In 2011, the average weekly income of Aboriginal adults (aged 15+) in Western Sydney was about \$566, 23 per cent less than the average income for all adults in this region (\$730). In 2011, the proportion of Aboriginal adults in Western Sydney in the workforce was 53 per cent compared to 63 per cent in the non-Aboriginal workforce. In relation to unemployment, in 2011, the rate for Aboriginal population was 15 per cent compared to 6 per cent for the non-Aboriginal population.

In 2013, the retention rate in school from years 7/8 to year 12 was 55.1 per cent. This was a 19.2 percentage point increase since 2001 (35.9 per cent). In 2014, the gap in apparent year 12 retention between Aboriginal and non-Indigenous students was 25.4 percentage points.<sup>13</sup>

In 2014, Aboriginal people had higher VET participation rates than non-Indigenous individuals:

- 21.5 per cent versus 16.1 per cent for 15-24 year olds
- 19 per cent versus 15.7 per cent for 15-19 year olds
- 24.4 per cent versus 16.5 per cent for 20-24 year olds.<sup>14</sup>

## 2.5 Principles of effective interventions

The following guiding principles arose out of community consultations held late in 2015 and the beliefs embedded in *OCHRE*, the NSW Government's Aboriginal affairs plan:

- Government should do things with Aboriginal communities, not for or to Aboriginal communities
- there is no quick fix, sustainable change occurs over a generation and young Aboriginal people are at the centre of that change
- there needs to be a genuine partnership between the Aboriginal community and the Centre, ensuring commitment and community ownership to support its broader social outcomes
- community driven solutions; clarity and realism of purpose of the Centre to make sure its activities are achievable
- the business community has a key role to play in broadening opportunities for Aboriginal people
- recognising the diversity of Aboriginal communities is paramount
- monitor, measure, learn and adapt to emerging issues and changing circumstances.

<sup>13</sup> Source: ABS School Collection, Cat. No. 4221.0, 2014

<sup>14</sup> Source: NCVET, National VET Provider Collection, 2003-2014

## 3. Increasing access to early childhood education

There is strong evidence demonstrating the benefits of quality early childhood education. Early childhood education makes a significant difference in enhancing children's cognitive development, particularly those from disadvantaged backgrounds.<sup>15</sup> The work of Heckman has also demonstrated that these benefits persist over time, through schooling and well into adulthood, providing a significant economic return on investment.<sup>16</sup>

Since 2011, the NSW Government has been working towards achieving universal access to quality early childhood education. As part of a National Partnership Agreement with the Commonwealth, NSW committed to supporting all children in the year before school to access an early childhood education program delivered by a qualified teacher for 600 hours a year.

To help achieve this, the NSW Government is implementing a range of new initiatives. This includes a new preschool funding model that better targets government funding towards greatest need, new capital expenditure to increase supply of preschool places, and scholarships to upgrade educator qualifications. Recently, Government also made further funding available to the sector to support better local partnerships, outreach and increased hours of access.

However, there continues to be children, particularly vulnerable children from Aboriginal and low socio economic backgrounds, who miss out on early childhood education.

### 3.1 Outcomes sought

The NSW Government is interested in exploring possible social impact investment options that build on its current reforms and priorities through innovative approaches to increase the number of four and five year old children accessing an early childhood education program for 600 hours per year for the first time. Interested organisations are encouraged to consider initiatives that:

- *Increase participation in early childhood education to meet the 600 hour target* – this could be through increasing participation hours in existing under-utilised early childhood education places or through the establishment of new 600 hour places in areas of growing demand.
- *Offer more innovative service delivery models to support families' needs* – for example, 'wrap around' service delivery models that integrate early childhood education with other high demand education and care services, such as Outside School Hours Care (OSHC) and Vacation Care.
- *Create closer linkages and partnerships with schools to support smoother transitions between settings.*
- *Improve the overall learning and development outcomes for children in the year before school, particularly low socio economic and Aboriginal children.*

<sup>15</sup> Sylva, K. et al. (2004) *The Effective Provision of Pre-school Education: Final Report*. London: Institute of Education.

<sup>16</sup> Heckman, J. & Raut, L. (2013) Intergenerational long term effects of preschool – Structural estimate from a discrete dynamic programming model, *NBER Working Paper No. 19077*.

### 3.2 Outcome measures

Measures may include the number of children in the year before school (four and five year olds), and the number of Aboriginal and Torres Strait Island and low socio economic children (i.e. health care card holders) participating in an early childhood education program for the first time. An additional measure may be the number of children whose access has increased to 600 hours per year, in line with the National Partnership target.

Where 'wrap around' services such as OSHC are provided, an additional measure could be the number of newly created OSHC places.

Other outcomes-focused existing early childhood performance measures that could be incorporated in a social impact investment include:

- NSW Best Start
- Australian Early Development Index (AEDI)
- Year 3 National Assessment Program – Literacy and Numeracy.

### 3.3 Potential cohort

In a review of early childhood education funding, Professor Deborah Brennan estimated that up to 30,000 children in the year before school were missing out on a preschool program.<sup>17</sup> The overall number of four year olds is also projected to grow by almost 22,000 between 2011 and 2031 (an increase of 23.5 per cent). Some of the largest increases are forecast in the Sydney and greater Sydney areas, such as Auburn and Camden.

### 3.4 Data

As early childhood education is delivered through a range of settings in NSW, including community preschool and long day care, accurate data about children's mobility and participation gaps in the sector is hard to obtain. The Department of Education's Annual Census captures child level information about early childhood participation in the NSW community preschool sector. The Commonwealth's Child Care Management System captures information about participation in early childhood education through the Long Day Care Sector.

NSW Public School enrolment forms and the NSW Transition to School Statement are other sources which can capture information about early childhood education participation.

### 3.5 Principles of effective interventions

A key principle of any initiative is that the intervention increases overall participation of four and five year olds and does not displace any children already accessing early childhood education.

Other NSW Government initiatives that may assist a possible pilot approach include:

- The \$20 million *Before and After School Care Fund*, established to help deliver up to 45,000 additional OSHC places. Grants are available to NSW schools and local councils.

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<sup>17</sup> Brennan, D. (2012) Review of NSW Government Funding for Early Childhood Education, Social Policy Research Centre: University of New South Wales

- The *NSW Transition to School Statement* is fostering smooth transitions into school by emphasising the importance of knowledge of early learning experiences in assisting schools to better support students.
- *Connected Communities* and *Local Schools, Local Decisions* are empowering school communities to strengthen community partnerships and bring together government and non-government services at the school level to improve outcomes for families.

## 4. Other areas of opportunity

The NSW Government is investigating other areas where there may be opportunities for social impact investment to achieve better outcomes, which are outlined below. More information on the priority areas, including outcomes and potential cohorts, will be made available in due course.

### 4.1 Homelessness among veterans

While we do not have reliable statistics for the number of homeless veterans across NSW, we know that approximately 8 per cent of homeless people in the Sydney CBD are veterans. We also know that the cost of homelessness to Government is high, as homelessness leads to a high use of support services, including health and justice services. Of this 8 per cent, a high number of veterans suffer from chronic health conditions, such as brain injury (40%), substance abuse (60%), mental health issues (26%), and dental problems (78%).<sup>18</sup>

Key stakeholders argue veteran homelessness occurs after a lengthy decline and could largely be solved through early intervention. Services already exist to connect veterans with the array of supports they require during their transition from military service to civilian life. However, these services are unable to meet demand, can be difficult to access, and are not joined up. Social impact investment can potentially make a difference in this area by investing in early intervention services that could help prevent the substantial personal, social and economic costs of veteran homelessness.

### 4.2 Improving waste management

The NSW Government is interested in exploring opportunities for social impact investment to contribute to better waste management across the state. A particular area of interest relates to establishing ongoing and sustainable arrangements to ensure discrete Aboriginal communities have access to waste management and environmental health infrastructure consistent with the general community.

### 4.3 Road safety

Road crashes are still a leading cause of death in NSW for people under 44 years, costing the community around \$6.5 billion in 2013. Each year, there are around 42,000 recorded road crashes in NSW, with more than 26,000 people injured. The NSW Government aims to reduce road fatalities by at least 30 per cent from 2011 levels by 2021.

### 4.4 Domestic and family violence

Domestic and family violence has significant immediate and long term impacts on its victims, the majority of whom are women and children. Reducing domestic and family violence is one of the Premier's priorities, with a target to reduce reoffending of domestic violence perpetrators by five per cent by 2019. The NSW Government is investigating opportunities for a social impact investment transaction to complement existing reforms and initiatives to break the cycle of violence.

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<sup>18</sup> Source: City of Sydney 2015 Inner Sydney Registry Week data