



Aged & Community Services Australia

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Aged and Community Services Australia response to: Social Impact Investing Discussion Paper January 2017

Aged and Community Services Australia (ACSA) is pleased to be able to provide a response to this discussion paper which was released on 28 January 2017.

ACSA is the leading national peak body for providers of aged care and housing for older people. It represents church, charitable and community-based organisations providing housing, residential care, community care and home support services to older people, younger people with a disability and their carers. ACSA members provide care and support in metropolitan, regional, rural and remote regions across Australia. Not-for-profit organisations provide care and accommodation services to approximately one million older Australians¹. Mission based and other not-for-profit aged care organisations are responsible for providing services to those older Australians who are most in need. As at 30 June 2016 not-for-profit organisations delivered approximately 56 per cent of residential care services and 82 per cent of home packages in Australia¹.

ACSA applauds the government's call for commentary on this discussion paper. In its 2016 Investor Report², Impact Investing Australia recognised that there is a growing interest in impact investing and that "*impact investing is capturing the attention of the world's leading economies*" and that it is being recognised for "*its potential to transform how capital is used to generate social and environmental benefits*" (p35).

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It is well recognised that population growth and an ageing demographic will continue to put pressure on service provision² (p16) and that the government is unlikely to be able to fully fund the level of service provision required in the future.

It is also well understood that the private market is also unlikely to adequately respond to unmet need in service provision, particularly in regional and remote locations where low population densities result in a lack of economies of scale, potentially resulting in unmet social needs in these communities.

The private market as it is currently structured is unlikely to fully promote investments with social benefits and the social sector is rarely financed for capacity and scale³ (p5).

We believe that as the Aged Care Roadmap, specifically as it relates to an aged care system that *“is market based and consumer driven”*⁴, is rolled out, that the market is unlikely to adequately respond to unmet need.

This is where we believe an innovative approach to funding that would accompany social impact investment strategies would potentially address unmet need in aged care services in the not-for-profit aged care sector by bringing together:

- Different levels of government
- Aged care services and organisations and
- Investors (interested in the social impact investment market)

with a view to identifying opportunities to address and solve unmet social need, particularly as they relate to housing and aged care services (acknowledging these are two of the areas highlighted in section 3.2 of the discussion paper).

The Australian Advisory Board on Impact Investing, in its report ‘Delivering on Impact’³ identified a range of benefits that key stakeholders would receive from being involved in the impact investing market, including:

- Organisations gain access to appropriate funding
- Financial markets benefit from access to initiatives and services with positive social impact
- Communities benefit when they can finance new opportunities to develop services and infrastructure
- Small to medium sized enterprises gain access to appropriate investment capital

- Investors have greater choice and new opportunities for investment and
- Governments benefit through more private capital into areas where there is need for new solutions. (p6)

The Not-for Profit (NFP) Sector:

As we have indicated ACSA is the peak body for the NFP aged care sector. It is recognised that there is a sizable and significant NFP sector in Australia². This sector in Australia is well suited to being at the vanguard of the evolving impact investment market for the following reasons:

1. The 'mission' of the NFP sector organisations will naturally align with the aims of the social impact investment movement
2. 'Mission alignment' is the primary motivating factor identified by Impact Investing Australia² for the allocating of funds by investors in the impact investment market (p6)
3. Two preferred areas identified by investors with an interest in future investment in the impact investment market are housing and ageing & aged care² (pp22-23)
4. Institutional investors (that would bring with them scale of funding) have expressed interest in investing in housing² (pp22-23)
5. Currently most NFPs are not active in the impact investment market² and it is viewed that there is significant potential for NFP organisations (p12)
6. There is significant potential not yet realised for investment into the NFP sector and for investment by the NFP⁴ sector as this sector is a significant holder of assets (p20)

Affordable Housing and Aged Care Segments of the Market:

The Department of Social Services in its paper 'Social impact investing research' March 2016⁵ describes (among others) that social and affordable housing (pp29-32) and aged care (pp33-35) are sectors that are likely to benefit from consideration for social impact investing.

This was also echoed in the Social Impact Investing Discussion Paper⁶ (the subject of this letter of response), section 3.2 'Potential areas of opportunity for the Australian Government' (pp15-16).

In terms of housing and aged care the NFP sector has the scale that is required to attract institutional investors interested in the impact investment market, a lack of

scale being recognised as a barrier to entry for large investors. Both these areas (housing and aged care) also fall into the impact areas of preference for institutions² (p7).

ACSA is strongly supportive of affordable housing and aged care services being considered as beneficiaries of impact investments as they fundamentally address the following key criteria:

- They are identified areas of interest to potential investors into the impact investment market² (pp22-23)
- They would offer the scale that would attract institutional investors
- They would offer fresh and new opportunities for impact investors, addressing the current challenge of a lack of investment opportunities in the impact investment market
- They would offer ‘mission’ alignment outcomes between the service providers and social impact investors and
- They would address the criteria of social unmet need – shortage of affordable housing being well recognised as a pressing societal issue, unmet need in aged care being another

- **Housing** – impact investing would potentially allow:
 - Ongoing transfer of public housing over to community housing providers (CHP), including housing for older Australians
 - Opportunity for the refurbishment of ageing building stock plus new housing stock for affordable rental for target cohorts
 - The government to meet its housing targets

- **Aged Care** – impact investing would potentially allow:
 - For investment into services and infrastructure where there is unmet need in communities, particularly in regional, rural and remote communities where the market is unlikely to respond adequately
 - For the addressing of unmet need in an aged care market transitioning into a more market based approach, as driven by the Aged Care Roadmap.

In Summary:

ACSA:

- Strongly supports the development of a social impact investment market into the aged care sector that addresses unmet social needs in affordable housing and aged care services
- Believes the not-for-profit sector is well placed to meet the aims and goals of the emerging social impact investment market through ‘mission alignment’ with social impact investors
- Believes that the NFP housing sector and aged care sectors offer both the scale and number of investment opportunities that institutional investors require

ACSA is keen to work with all levels of government, the impact investor market, service providers/organisations and other key stakeholders (such as Impact Investing Australia, The Australian Advisory Board on Impact Investing etc.) to develop this nascent market to ensure that significant investments can occur into our sector to ensure that all older Australian receive the services and support they need to lead healthy and fulfilling lives.

ACSA looks forward to further opportunities to work with the government in this important and growing investment market.

Yours sincerely



Pat Sparrow
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References:

1. *2015-16 Report on the Operation of the Aged Care Act 1997*, Department of Health, December 2016
2. *Impact Investing Australia 2016 Investor Report*, Impact Investing Australia et al, 2016
3. *Delivering on Impact The Australian Advisory Board Breakthrough Strategy to Catalyse Impact Investment*, Impact Investing Australia, September 2014
4. *Aged Care Roadmap* Aged Care Sector Committee, 2016
5. *Social impact investing research, Department of Social Services for the Prime Minister's Community Business Partnership Final Report*, March 2016
6. *Social Impact Investing Discussion Paper*, Australian Government, Commonwealth of Australia, January 2017