

21 February 2017

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**Social Impact Investing
Submission in Response to Discussion Paper**

Dear Ms Wilkinson,

Thank you for seeking Cancer Council Queensland's comments on the Australian Government's *Social Impact Investing Discussion Paper*.

Cancer Council Queensland supports the purpose of the discussion paper to explore ways the Australian Government can develop the social impact investing market. We welcome efforts by the Australian Government to create an enabling environment for private sector-led social impact investing and by funding (or co-funding with State and Territory Governments) investments which generate savings or avoid future costs to fund reforms and deliver better outcomes for Australians.

There can be no doubt that taking a social impact investment approach would provide organisations such as Cancer Council Queensland with an opportunity to fund evidence-based approaches to cancer control and public health promotion.

Cancer Council Queensland provides services and programs in many policy areas relevant to social impact investing. For example, Cancer Council Queensland is a national leader in the provision of supportive care services and practical assistance to those affected by cancer, including psychosocial counselling and accommodation for regional patients.

Many of the programs and services we deliver could benefit from social impact investing, particularly through the formation of partnerships across all levels of government and the community health sector. Such partnerships could involve sharing data critical to determining the outcomes of interventions.

Unequivocally, the work of civil society organisations such as Cancer Council Queensland will be key in helping to define the optimal regulatory settings for determining the different responsibilities of Commonwealth, state and territory, and local governments, as we shape the role all parties effectively play in developing the social impact investing market.

As such, we support the recommendations of two previous reports that the Government consider moving towards a social impact investment model for funding some social services. The 2015 review of Australia's welfare system, *A New System for Better Employment and Social Outcomes* (known as the McClure Report), found that the outcomes-based social impact investment models should be considered to target financial investments towards addressing social problems. And in 2014, the final report of the Financial System Inquiry recommended that the Australian Government 'explore ways to facilitate development of the impact investment market and encourage innovation in funding social service delivery'.

We wholly welcome the Australian Government's responsiveness to the Financial System Inquiry by releasing the current discussion paper.

In formulating a response to this opportunity, there are a number of known barriers that require consideration. Chiefly, the inadequacy of incentives for investors, wherein the risks of investing currently outweigh the returns on offer. And secondly, the lack of understanding and expertise in the non-profit and community sectors, coupled with the onerous requirements of regulatory and practical compliance.

To help overcome these barriers and establish a more flexible regulatory framework to stimulate social impact investing, Cancer Council Queensland recommends the establishment of a Cooperative Research Centre on Social Impact Investment and/or Social/Financial Resilience.

Equally important, the appointment of experienced officers within Government is urgently necessary to provide designated points of connection for people and organisations from across sectors, to encourage a more coherent approach among departments and tiers of government and collaboration with third parties.

Clarification of fiduciary duties for trustees and fiduciaries is also required, to ensure that investment-readiness can be demonstrated, based on expected rates of return which are commensurate with risk.

Governments should also consider the provision of risk capital to attract investment for funds – driving investment in small and medium size enterprises in communities where the need exists for improved health service delivery, jobs, and economic regeneration (particularly for those communities which have been affected by cyclical industry downturn).

Cancer Council Queensland would also welcome the consideration of tax concessions and other fiscal incentives for social impact investment, such as renewal of the corporate bond market to enable sufficient flexibility for funding towards social infrastructure – incentivising joint "for profit" and "for purpose" projects.

Options to better leverage the equity held in philanthropic trusts and foundations should also be explored, engaging international funders in Australian schemes, as well as the examination of options to provide short to medium term catalytic incentives to encourage and develop appropriate intermediation, including community development financial institutions.

In terms of market settings, options should be investigated to support the development of a robust and sustainable market for debt products appropriate to the needs of the not-for-profit sector, together with consideration of a Federal outcomes and innovation fund, which could adapt international models and proposals to take development of social impact bonds and related models to market more quickly and at scale.

Of particular importance, Cancer Council Queensland would welcome more action to achieve social engagement through the superannuation system, so that it delivers the best possible outcomes for the community and the best possible income for Australian consumers.

The role of financial intermediaries in the social investment marketplace should also be strengthened, to further underpin infrastructure development in new markets, bringing together expertise and institutional capability to match funders and organisations in need of innovative forms of capital.

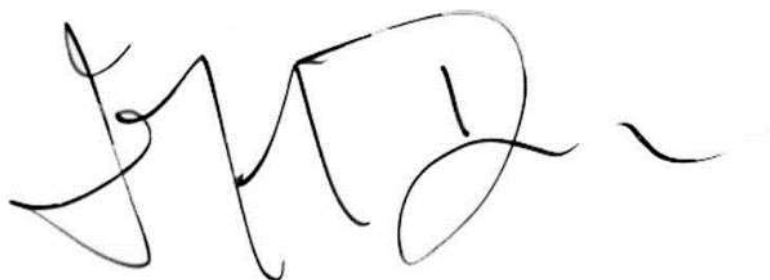
The structural barriers to appropriate investment, including relevant regulations, corporations legislation, and standard definitions, must also be reviewed as a matter of priority, so that greenfield social impact investments are provided with stable foundations for growth.

To this end, we would encourage initiatives designed to more broadly share the data held by governments regarding social issues and outcomes, in order to encourage more effective measurement and targeted funding towards high-priority social issues.

Finally, Cancer Council Queensland recommends a review of the laws governing Private Ancillary Funds (PAFs). Oversight of the fees charged by trustees is inadequate under the current Private Ancillary Fund Guidelines 2009, with no prescribed limits on the fees trustees can charge. Prescribed regulation of fee thresholds would help to ensure good governance and, potentially, encourage greater availability of investment capital for philanthropic purposes.

Thank you once again for seeking Cancer Council Queensland's comments on social impact investment. Please don't hesitate to contact Cancer Council Queensland's Chief of Staff, Anne Savage, via email to annesavage@cancerqld.org.au should you require any additional information in support of this submission.

Yours sincerely,



Professor Jeff Dunn AO
CEO, Cancer Council Queensland
Director, Union for International Cancer Control
Secretary, International Psycho-Oncology Society