



WRITTEN SUBMISSION AND SHARED
INFORMATION EXTRACTS:
A STRONGER, MORE DIVERSE AND
INDEPENDENT COMMUNITY SECTOR.

TO: DEPARTMENT OF SOCIAL SERVICES
FROM: CALYX BUSINESS INNOVATORS PTY LTD

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The following submission seeks to respond to the DSS Issues paper 'A Stronger, More Diverse and Independent Community Sector.

Calyx Business Innovators is a relatively new company established by two experienced executives from the Public and Community Sectors. The initial comments below are an extract from a paper that highlights observations of the current challenges and opportunities. This is then followed by some specific responses to the five focus areas.

Extract observations:

Current challenges

"The current financial challenges highlight an environment impacted by inflation, high levels of personal and national debt, economic hardship and an increasing number of emergency events; all of which contribute to the financial burden on the public purse.

In this context, the 2022 federal election demonstrated our communities, despite pockets of vulnerability, have become diverse, sophisticated, educated and politically savvy. The Not For Profit and charity sector/s have also evolved to successfully navigate the public administration and political systems with well-designed advocacy campaigns and submission expertise; competing with other NFPs for resources.

The complexity of dealing with competing demands and diminishing resources in a dynamic system and shifting world order is one of the government's greatest challenges. Rethinking the building blocks of thriving, resilient communities requires reliance on evidence, longer-term planning and collaboration with, and empowerment of, communities.

While tied state and federal government grants and subsidies have been used to address disadvantage/vulnerability, the disproportional percentage of funding is channeled into crisis services and programs, precluding a desperately needed funding focus on prevention and early intervention.

In the face of accelerating change, the strength of community resilience should be front and centre of our approach to improving social capital. A community's social capital is based upon its residents' collective knowledge, understanding and investment in their own 'place' (community). By not engaging the community or disregarding it as a valuable resource the system and bureaucracy risks actively undermining the very outcome it is seeking to achieve: resilience and the capability of the community to recover from set-backs.

Place based funding; an opportunity to better engage and involve communities in the shaping of their future could inform and strengthen an ongoing and much needed change process for both communities and government administration. Importantly, strategies and initiatives developed and delivered at the local (place based) level will improve value for money and enable adaptability (to local needs).

Opportunities for change:

Longer term thinking and a greater balance of prevention and early intervention approaches are required to get ahead of the increase of dependency and disadvantage.

Consistency across service delivery is desirable. While state and federal governments apply outcomes thinking, it currently is inconsistently applied across portfolios and in jurisdictions.

This can result in unnecessary red tape, inefficiency, ineffectiveness and cost ineffectiveness. Working with prevention in mind to facilitate change focuses planners on consideration of data and evidence to define the problems and then specifically describe what success looks like as outcome/s to enable the broader community to thrive and become more resilient.

Outcomes can focus on one policy domain or consider the whole community i.e. policy domains of health, security, sustainability, cohesion and prosperity. Alternatively, outcomes can be scaled to shape a program or service design. Examples of quantitative data sources include but are not limited to: ABS, AEDI, crime, and health data is publicly available and can be related to a local area. "Measuring What Matters appears to be an opportunity for annual updates.

Only applications that clarify the intended social impact/s and demonstrate a strong estimated SROI should be considered for funding. To this end, it is proposed that future application requirements include an estimated SROI enabling assessment panels to consider which application provides the best value for money. These improvements are likely to inspire greater confidence and certainty in potential funders, including social investors. In particular, social investment would become more attractive to the business sector as a financial opportunity."

The following responds to the focus area questions for consideration.

- 1.1 Partnership is a loose term, not legally binding which confuses the reality of the applicant's contractual obligations should they be successful. The contract should reflect outcomes that align with the government's outcome framework, and move to SROI and Shared Value over a period of several years. This methodology encourages sustainability and can involve the private sector's funding support.
- 1.2 Streamline by everyone understanding outcomes-based language and program logic methodology to inform the development of generic templates
- 1.3 Place-based conversations e.g. LGAs (as these are required to undertake community development and engagement). The opportunity to engage with the social capital in any given area is being overlooked. Many community groups have answers to their problems as opposed to CSOs selling their solutions
- 2.2 Initial costs (including full cost of salaries and proportional administration) adjusted by CPI annually.
- 2.3 Disproportionate cost when large organisations are able to distribute their fixed costs. This excludes small innovative programs from success in receiving grants.
- 2.5 Ensure all reporting and evaluation is outcomes-based (currently many grants only require output-based reporting). Ensure there is alignment of the grant and application to the Australian Government 'Measuring What Matters' and federal budget outcomes

- 2.6 Trial a designated area with generic outcomes-based templates which shows the problem that is to be solved with the relevant published data.
- 3.1 A minimum of three years subject to achievement of annual targets against reported measured evidence.
- 4.1 Larger organisations can become enmeshed in responding to crises. The solution needs a greater, proportional prevention emphasis to counteract long-term dependency on public funding. Using prevention approaches and place-based knowledge and resources (social capital) smaller organisations can be engaged to deliver innovative programs to 'breaking the disadvantage and needs cycle'.
- 4.3 Many smaller innovative organisations are overlooked and out manouvered by larger organisation that have commercial sides to their business. This is contributing to the diminishing pool of creative ideas resulting in repetitive methodologies in service delivery.
- 5.1 Place based funding better responds to the local evidence and conditions. It has better capability to engage in the local social capital which in itself has the capacity to leverage local resources including volunteer effort which has been diminishing due to COVID, technology and bureaucratic red tape.
- 6.2 Submissions should identify the applicant's intended social impact (social benefits) that will be delivered and how will this be reported in future grant applications I.e. should the impacts not be delivered how will this be taken into account in future application considerations.

To what degree has this issues paper taken into account Measuring What Matters' published by the Australian Government Treasury in 2023? The greater the alignment of policy and programs the better the evidentiary trend will inform future funding streams.

Further detailed extracts are included overleaf for further information to assist clarification.

EXTRACT LP3 CALYX SROI CALCULATOR.

Understanding Social Return on Investment (SROI) concept and its relevance for guiding social investment 2023

The purpose of this paper is to deepen the understanding of the Social Return on Investment (SROI) concept and to highlight its relevance for guiding investments for community growth, well-being, health and sustainable development in the context of implementing the Australian Productivity Council recommendations and Australian government policy outcomes framework.

The underpinning idea is that investments should **not only** look at what pecuniary value they produce as direct shareholder value, but they should also include a wider range of benefits. Similarly to ROI, SROI compares the net present value of benefits to the net present value of the resources invested, but it aims to do so by accounting for the **whole range** of value generated, beyond the narrow economic and financial dimension. *“As stated in the United Kingdom Office of the Third Sector guide to SROI, the latter is “a framework for measuring and accounting for this much broader concept of value; it seeks to reduce inequality and environmental degradation and improve well-being by incorporating social, environmental and economic costs and benefits” (10, p. 8).”*

Adaptors of the outcomes measurement framework and the SROI tool have predominately been governments and not for profit entities.

However, the past few years has seen requests from company shareholders and new generation investors demand substantiated or evidence based social investment performance reporting. e.g. Two years ago Rio Tinto formed a social investment arm within their Co structure.

Strategic context and what it means for SROI

SROI builds not only on the ROI (Return on Investment) concept derived from financial analysis but also on social accounting and programme evaluation traditions.

The conceptual starting point of an SROI analysis is a modelling effort to identify the Theory of Change, (TOC) or the so-called impact or influence map. Such impact can be identified and described for every investment and its related stakeholders. Again, this reflects the strong stakeholder considerations of the SROI approach. It can be a useful tool when evaluating public health interventions, which are usually characterized by a complex variety of levels of implementation.

Accounting for SROI

Most SROI analyses are presented in the form of a ratio between the benefits value and initial investment, with both expressed in monetary terms. The underlying idea is that this ratio makes social value visible – at least partially – to investors, as well as comparable.

The monetary terms used do not express an actual financial return but should be regarded as a way to express a so-called currency of value. The “dual nature of its promises” makes it possible to gain an understanding of both social and financial

benefits

simultaneously

However, this tendency to monetize social value has raised a wide debate. There is a general agreement that not all the aspects of social value can be monetized, but the extent to which this is relevant and feasible in SROI analyses varies, according to the type of investment and the aim of the evaluation process.

Monetization methods are being developed and revised. (CALYX SROI Calculator). SROI reports provide additional contextual information reflecting an increasing understanding of the need to systematically integrate into evaluation and performance reports value add measurements.

Considering the potential scope of its application in the context of implementing Government and organisational agendas, scaling-up capacity-building to provide SROI-related services at national, subnational and community levels needs to go hand in hand with traditional funding and reporting mechanisms.

The application of SROI is still particularly favoured among non-profit-making organizations, philanthropic foundations and social enterprises. However, accounting for value in all the dimensions of service delivery and sustainable development is becoming a common outcome throughout society, including the public and private profit-making sectors.

Mainstreaming the SROI approach for investments across all sectors represents a way to shift the focus from purely financial accounting towards a more comprehensive accountability of value created, including social and environmental benefits, as well as incorporating stakeholder engagement and involvement.

Conclusions

Every activity – whether it is carried out in the public, private or non-profit-making sectors – has an impact on the economic, environmental and social dimensions, and thus also on communities and people's well-being. However, investment evaluations are usually limited to the economic dimension.

SROI represents a useful alternative to common investment evaluations, since it accounts for social value from the stakeholders' perspective, building on the theory of change. It has the potential to expand the scope of impact analysis towards a full picture of all dimensions of impact created by all types of investments.

Nationally, the current financial challenges highlight an environment impacted by inflation, high levels of personal and national debt, economic hardship and an increasing number of

emergency events all of which contribute to the pressure on government and the competition for available funding.

Extract Calyx SROI calculator:
 The Social Return On Investment of the Community Support XXXXX Emergency Relief Program operating in XXXXXX Victoria for 2021-22 was:

| Emergency Relief Program | |
|--|-----------------|
| Funding sought | \$777,945.00 |
| Estimated social benefits | \$15,846,857.73 |
| Total financial investment of program | \$1,503,572.00 |
| The program will pay for itself in | 5 weeks |
| Estimated social return per \$1 invested | \$10.54 |
| Total cost per unit | \$537.37 |



Social Benefits achieved (N.B it should be noted the % attribution of success is conservative and included in the calculation of the SROI)

- Homelessness averted
- Education continued
- Employment maintained
- Deterioration of mental health averted
- Physical health maintained
- Police call-outs and reports reduced
- Children taken into foster care avoided
- Utility services remained connected
- Clients did not go hungry
- Emergency room presentations/ overnight stays reduced.

In summary, emergency relief assistance for a person (or family) was \$537.37 and the total cost per incident was \$78,77 assistance. As per above, for every dollar invested the estimated social return was \$10.54. In addition to the SROI (but not included), is the benefit of CSF volunteers' commitment and dedication, which further supports Victoria's and XXXXXXXX City Council's outcomes for social inclusion, participation and community strength. The extent of this dedication is reflected in the following:

| | |
|--|--------------|
| No. volunteer hours | 17,100 |
| \$ value of volunteer effort delivered | \$797,202.00 |

EXTRACT CALYX BUSINESS INNOVATORS PTY LTD – SHARED VALUE.

Taken from Social Investment Series Learning package 4.

Note: Shared Value methodology is based on outcomes planning/evaluation and the application of the Social Return on Investment CALYX Calculator.

This document is an overview of how to develop and unlock value by linking social and business results. into meaningful economic and social value. (Shared Value)

Efforts to understand the link between business performance and social value creation are just beginning. *‘More and more, businesses create shared value by developing profitable business strategies that deliver tangible social benefits. This thinking is creating major new opportunities for profit and competitive advantage while benefiting society by unleashing the power of business to help solve fundamental problems.*

Despite the widespread embrace of the shared value concept, the tools to put this concept into practice are still in their infancy. A new framework for reporting and measuring results that focuses on the interaction between business and social results is among the most important tools to drive shared value in practice.

*Even the businesses and organisations that are most advanced in pursuing shared value today lack the data they need to optimize their results. They cannot know the extent to which they create shared value if they do not report and measure their progress on social objectives and, importantly, the degree to which social performance improves economic value for the business.**

When entities do not understand or rigorously track the interdependency between social and business results, they miss important opportunities for innovation, growth, and sustainable social impact at scale ‘M Porter Harvard University.

*Refer to Measuring Community Outcomes Framework document 1 of the Outcomes Social Investment Series. Calyx Business Innovations Pty Ltd.

1. What is Shared Value?

Value is defined as benefits relative to costs. Businesses to date have rarely approached societal issues from a value perspective. This has obscured the connections between economic and social concerns.

Shared Value can be defined as the policies and operating practices that enhance the competitiveness of a company, the growth and wealth creation within the Government, and the development of innovative service provision within the Not For Profit sectors whilst simultaneously advancing the economic and social conditions in the communities in which it operates. (*Harvard Business Review 2011*)

Shared value rests on the premise that both economic and social progress must be addressed using value principles.



Shared value holds the key to the next wave of business innovation and growth. It will reconnect company success and community success in ways that have been lost due to narrow management approaches, short-term thinking, and deepening divides among society's institutions.

The community creates demand for products, skilled workers, and supportive environments; and business enterprises provide jobs and wealth-creation opportunities for the people within the community.

At a very basic level, the well-being and wealth of a community depend on the competitiveness of business enterprises within a community. The two are closely interwoven.

This submission highlights opportunities to:

- Explore engagement at the local level to better implement place-based funding
- Use outcomes-based plans (milestones to adaptation and resilience)
- The need to substantiate the value for money and show social impact (benefits) and how they will be measured
- standard use of SROI estimates (to improve focus and funding decisions)
- Encourage greater application of Shared Value to achieve sustainability
- Reset the balance of investment between prevention and crisis
- Engage with and include smaller innovative service providers to build the capability and capacity of social capital.

For further information or clarification of submission please contact:

