A case study for government

There are many young people in our community who battle every day just to survive. To get by they need a wide range of government-funded services including health, housing and welfare.

The personal costs of their situation are unimaginable. The government costs are also really high.
- Each young person at STREAT costs our governments an average of $50,476/year
- Some of these costs are borne by the state government, others by the commonwealth.

STREAT works to ensure that these young people thrive and have a healthy sense of self, home and work.

STREAT’s work provides savings and exceptional value for governments.
- STREAT offers a one-off intensive 6 month intervention which costs $18,196 per young person
- This work saves $32,495 of the government costs (64%)
- STREAT generates the majority of its revenue through its own businesses (71%). A fraction comes from governments (0.7%).

STREAT runs a portfolio of hospitality businesses including cafés, kiosks, a catering company, artisan bakery and coffee roastery. The more businesses STREAT runs, the more young people it can train and support.

A DECADE OF SUPPORT NEEDED
Like most social enterprises, STREAT will take over a decade to become self-funded. Although the organisation secured a one-off government grant during start-up, philanthropists, corporates, the public and impact investors have undoubtedly ensured its survival and growth to date.

REVENUE STREAMS
If STREAT’s total revenue for 2017/18 ($5.2m) was represented as $100, STREAT now generates $71.30 through its businesses, with only $0.70 coming from government.

72% is B2C (Business to Customer) revenue – this is cafe and kiosk revenue, the traditional parts of STREAT’s business model
28% is B2B (Business to Business) revenue – this is revenue from STREAT’s catering company and bakery and is now rapidly growing due to the rise of social procurement.

CHALLENGES STREAT FACED TO GET ‘PROCUREMENT READY’
STREAT is increasingly being powered by social procurement from businesses, non-profits and governments. And whilst governments have traditionally been a very small funder of STREAT, in the last year since the Victorian government released its social procurement framework 35 departments and agencies are procuring from the organisation (now about 10% of STREAT’s catering revenue).

Though the organisation has faced significant challenges in preparing for procurement:
- STREAT needed substantial capacity-building by intermediaries, especially in the early years – the organisation has benefited from years of support from Donkey Wheel (and later The Difference Incubator) and Social Ventures Australia (SVA) to help it grow. STREAT was in SVA’s portfolio for six years and found SVA’s venture philanthropy model with multi-year granting and capacity building particularly helpful.
- STREAT has found it very difficult to access the right types of capital to scale – STREAT is only able to deliver upon major contracts now because it built substantial production facilities in 2015. This was made possible when a benefactor generously purchased a $2.5m property for the organisation and gifted its use for 50 years. To build this site STREAT needed to secure an additional $4m of support which it did through philanthropic donations, crowdfunding, in-kind support and impact investment. Whilst the organisation eventually managed to secure this impact investment of $2.5m, this was very difficult to obtain because it didn’t own the property and had no assets or capital to secure the investment against. In short, the organisation has consistently struggled across the last decade to get access to affordable, flexible and unsecured capital for scaling its businesses.

WHAT GOVERNMENTS CAN DO
1. Expand the world-class social procurement frameworks of the Victorian and Queensland governments across all levels of government nationally
2. Fund enabling organisations to help get social enterprises ‘contract ready’ and to broker B2B relationships between customers and suppliers
3. Provide funding to social enterprises to build their business development and sales capabilities
4. Provide access to affordable and flexible funding and investment opportunities to allow social enterprises to build the necessary infrastructure and teams.