

# *Piloting Social Impact Bonds in homelessness services*

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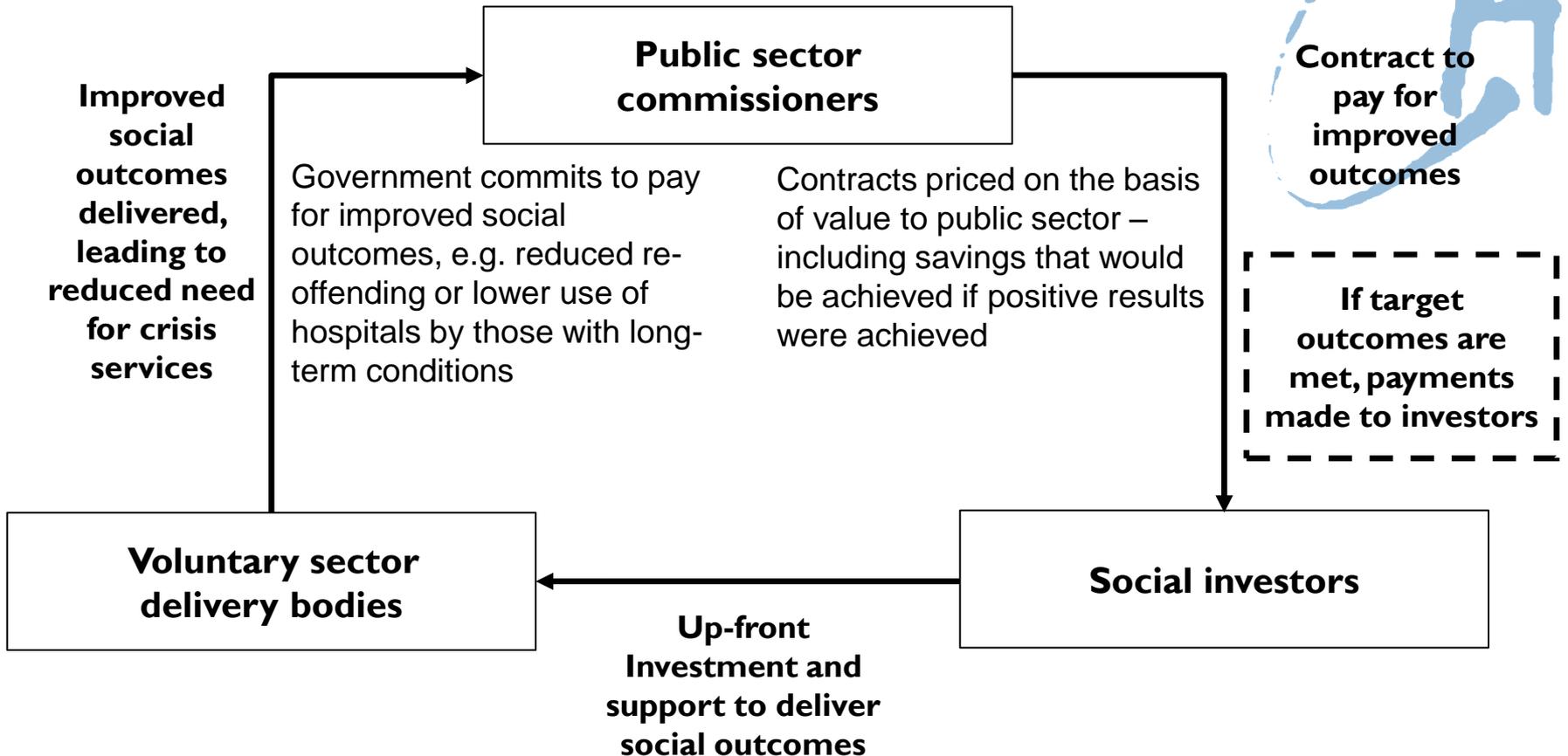
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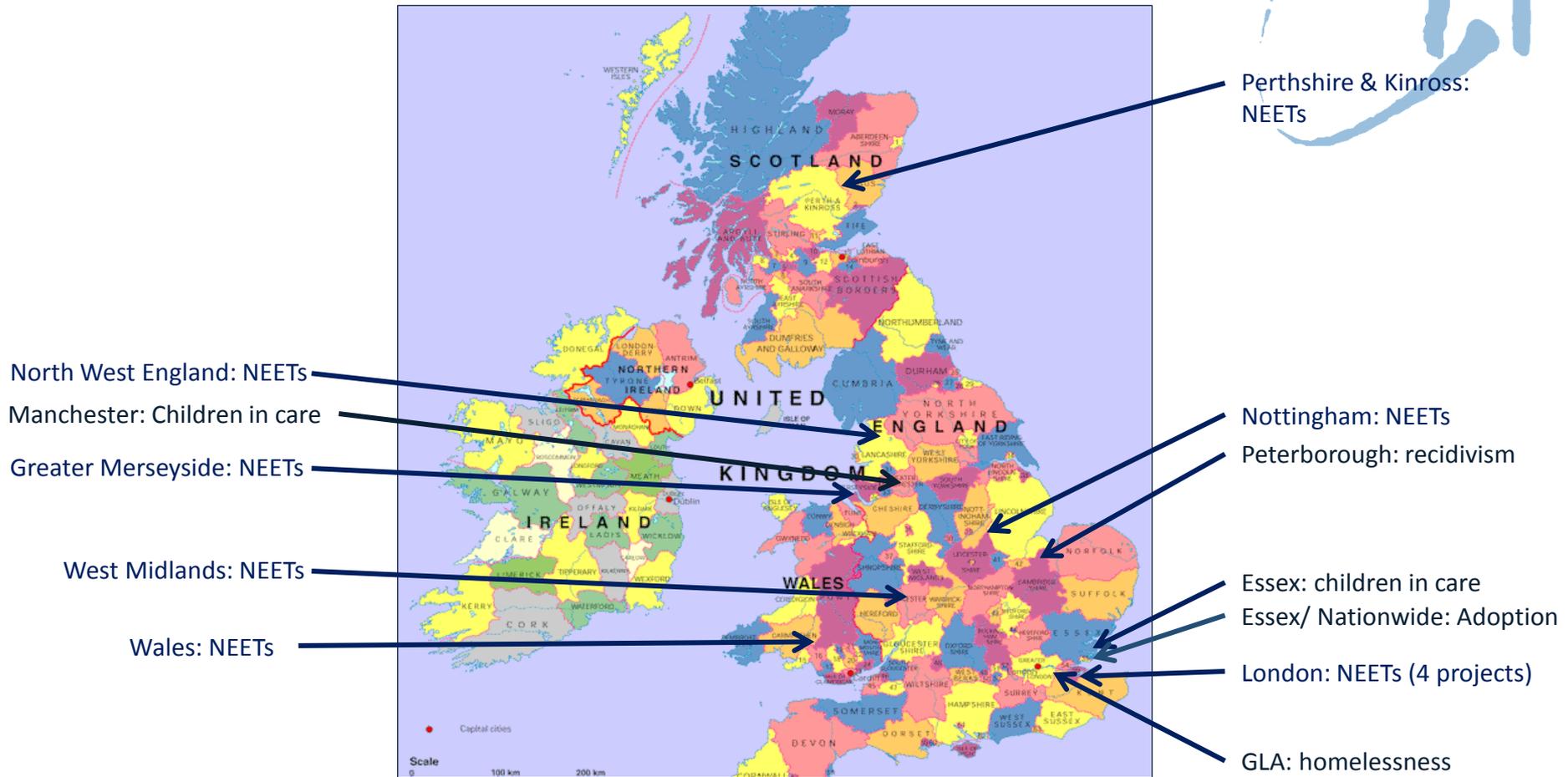
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# What is a Social Impact Bond?



# UK Social Impact Bonds

15 SIBs in the UK with more in development. SIBs are addressing NEETS, homelessness, reoffending and children in care



# London Rough Sleeping SIB overview

- Families with children who are homeless are legally protected in the UK, so local authorities have a legal duty to accommodate them.
- However, single rough sleepers, are not usually covered by English homelessness legislation.
- Lack of accommodation is often not the main problem for persistent rough sleepers, who typically have drug, alcohol or mental health problems.
- Foreign nationals may not be entitled to accommodation in the UK.
- SIB is targeted at persistent rough sleepers in London, who evidence suggests are not doing well enough despite existing services, and need a more bespoke and long term intervention which is difficult to specify or commission centrally.



# London Rough Sleeping SIB overview

- CHAIN database provides good data on individual London rough sleepers.
- SIB funds additional services for a named cohort of 831 people who between them accounted for almost half of all London's recorded rough sleeping over the previous year.
- Average 40 recorded bedded down street contacts.
- 72% first seen out over 6 months ago. 15% first seen out over 5 years ago
- Intended that the SIB complements existing services and gets better use out of them for the SIB cohort.
- SIB co-designed with voluntary sector and commissioned using Competitive Dialogue process under Part B of EU procurement rules.



# London Rough Sleeping SIB overview

- £5M over 3 years, commissioned by Mayor of London
- The SIB aims to achieve substantial, sustainable change amongst the lives of the members of the cohort over a 3 year period, including:
  - Reducing rough sleeping
  - Sustained moves into stable accommodation
  - Sustained reconnection to a country where they enjoy local connections
  - Increased employment
  - Reduced chaotic use of health services



# Estimated Costs to Public Purse

Costs	Cost estimates used in model	Net Present Value (NPV) of costs over five years
<b>Rough sleeping costs</b>	Average costs per person = <b>£1,664</b> Outreach services	Average NPV per person = <b>£2,985</b>
<b>Accommodation costs</b>	Average costs per person = <b>£3,818</b> Temporary accommodation Tenancy breakdowns	Average NPV per person = <b>£6,849</b>
<b>Criminal justice costs</b>	Average costs per person = <b>£10,693</b> Reconviction costs Police time	Average NPV per person = <b>£19,182</b>
<b>Employment costs</b>	Average costs per person = <b>£2,600</b> Job Seeker's Allowance Employment Support Allowance	Average NPV per person = <b>£4,664</b>
<b>Health costs</b>	Average costs per person = <b>£1,890</b> Unplanned hospital usage (A&E and ambulance usage) Psychiatric hospital usage	Average NPV per person = <b>£3,390</b>
<b>Average per person</b>	<b>£20,000</b>	<b>£37,000</b>
<b>Estimated cost of cohort</b>	<b>£17m</b>	<b>£31m</b>

# Outcomes Metrics and Payment Mechanisms

Goal	Metric	Payment Mechanism
1) Reducing rough sleeping	<b>Reduction in the number of individuals with bedded down street contacts in London – quarterly measurement periods.</b>	<b>Outcome payments distributed quarterly in arrears for progress beyond defined baseline.</b>
2) Supporting cohort members into stable accommodation	<b>Confirmed sustainment of non-hostel tenancy for twelve and eighteen months with no more than two bedded down street contacts in London in the first twelve months and no more than one between 12 and 18 months.</b>	<p><b>Payment on entry into accommodation and receipt of written confirmation of tenancy.</b></p> <p><b>Payment after 12 months.</b></p> <p><b>Payment after 18 months.</b></p> <p><b>Payments made per individual sustaining tenancy - no baseline.</b></p>
3) Supporting cohort members to achieve sustained reconnection to a country where they enjoy local connections	<b>Confirmed reconnection to destination outside of the UK with no bedded down street contact in London in the following six months.</b>	<p><b>Payment on reconnection following receipt of confirmation from landlord or family at destination and UK agency providing reconnection support.</b></p> <p><b>Payment on elapse of six-month test period without a bedded-down street contact in London.</b></p> <p><b>Payment made per individual sustaining reconnection</b></p>
4) Supporting cohort members progress towards employment	<p><b>Increase in the number of individuals:</b></p> <ul style="list-style-type: none"> <li>•Sustained volunteering or self-employment 16+ hours per week</li> <li>•Sustained employment 8-16 hours per week</li> <li>•Sustained employment 16+ hours per week</li> </ul>	<p><b>First payment on sustainment for 13 weeks.</b></p> <p><b>Second payment on sustainment for 26 weeks.</b></p> <p><b>Payment made per individual achievement – no baseline.</b></p>
5) Supporting cohort members to better manage their health	<b>Reduction in average number of A&amp;E episodes per head per year.</b>	<p><b>Yearly cohort-level payments based on reduction in average A&amp;E episodes per head among contract cohort.</b></p> <p><b>Payments made for progress beyond defined cohort baseline.</b></p>

# Results so far

- SIB has achieved 73% of maximum projected outcomes so far and performance is improving
- Exceeding targets on sustained moves into settled accommodation
- Some very complex individuals lives have been transformed
- Voluntary sector providers really value the freedom to innovate and work flexibly and long term with people across service boundaries
- Interim evaluation report suggests the SIB was well designed, with good consultation with the voluntary sector



# Fair Chance Fund



- New programme for young homeless people with complex needs, who would otherwise fall through the net of existing services because they are too hard to help.
- Expected to generate up to 7 new SIBs and help around 1600 young people
- Pays for sustained accommodation outcomes and Education, Training and Employment outcomes over 3 years from January 2015.
- Unlike London Homelessness SIB, there is not good data on this group.

# Fair Chance Fund



- Government pays outcomes based grant to voluntary sector / social investor partnerships
- Local authorities do not receive funding, but provide the referral gateway
- This aims to ensure that, despite lack of data, only the hardest to help clients, who meet eligibility criteria are referred, because this is in the local authorities' interest
- £15m fund over three years

# SIB Advantages

- Government more likely to provide extra funding because they are assured of only paying for success (risk transfer)
- Voluntary sector providers free to innovate and do what works for each individual rather than being tied to a service specification
- Continuity of support for service users which is not tied to a specific project
- “Cherry picking” can be avoided by careful design of service specification
- Allows voluntary sector organisations to participate in PbR contracts without undue risk (Social Investors take the risk)
- Causes voluntary sector organisations to focus on what their services are actually able to achieve, and to improve service design



# SIB difficulties

- Complicated to design, set up and bid for, so need to be at a reasonable scale to justify set up costs
- Potential for “cherry picking” or perverse incentives if outcomes are not well designed
- Difficult to pay for soft outcomes, so harder outcomes have to act as a proxy (e.g. sustaining accommodation may require work on stabilising substance misuse problems)
- Difficult to know in advance what success can be achieved, especially if setting up a new type of service, so difficult to price outcomes payments
- Social Investors can be quite risk averse
- Some delivery organisations could borrow more cheaply from a bank
- Difficulty in achieving “cashable” savings

