Department for Communities and Local Government

Qualitative Evaluation of the London Homelessness Social Impact Bond (SIB)

Final Report Executive Summary

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Executive Summary

The London Homelessness Social Impact Bond (SIB) is a four year programme launched in November 2012, with the core intervention period ending after three years on 31st October 2015[1]. It was an innovation designed to bring new finance and new ways of working to improve the outcomes for a cohort of rough sleepers whose needs were not being met by existing services and who were not being targeted by other interventions. It was the second ever SIB developed and the first to address homelessness and is the first in the world to complete.

The Evaluation

In July 2013 ICF (then ICF GHK) was commissioned by the Department for Communities and Local Government (DCLG) to provide a qualitative evaluation of the SIB. An impact evaluation has been undertaken by DCLG and is reported on separately[2].

The aim of the qualitative evaluation was to provide an in-depth understanding of the merits of different aspects of the intervention design, including the role and impact of social investment and of incentivisation through a payment by results (PbR) contract. This final evaluation report is based upon SIB performance data and analysis of qualitative interviews from across participant groups. Participant groups include commissioners and strategic stakeholders, providers, social investors, the wider provider and partner landscape and members of the SIB target cohort. The final report includes material and analysis from previous reports to provide an overview of, and learning from, the London Homelessness SIB 2012-2015.

This summary provides an overview of Social Impact Bonds (SIBs) and PbR before outlining the development of the London Homelessness SIB, reviewing the outcomes achieved and lessons learned, and setting out the resulting recommendations.

Social Impact Bonds

The Cabinet Office describes SIBs as a funding structure for PbR contracts, which enable investors to provide the upfront financing to service providers for the interventions that target a social outcome. The commissioner makes PbR payments based on the social outcomes achieved. If the provider does not deliver the outcomes, commissioners may not pay anything.[3] The SIB transfers the risk of poor performance from the commissioner (government, at national or local level) to the investor; investors receive a financial return for taking this risk, as well as a social return through the outcomes achieved (a 'blended return'). A SIB is intended to promote innovation, as the focus is on outcomes rather than the detail of delivery, in contrast to traditional commissioning of detailed service specification. The financial returns investors receive therefore vary according to how

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[1] There is an additional 12 month payment tail for final sustained outcomes to be recognised. It was designed to ensure the providers are incentivised to engage the target cohort until the end of the initial contract delivery period. It does not apply to rough sleeping or health.

[2] The results of the impact evaluation are published in the report 'The impact evaluation of the London Homelessness Social Impact Bond'.

[3] Cabinet Office Centre for Social Impact Bonds. 2013. *Glossary of terms*. Available at: http://blogs.cabinetoffice.gov.uk/socialimpactbonds/2012/09/b1/

successful the interventions are at achieving social outcomes. Social investors aim to achieve a blended return of financial and social outcomes. As innovative interventions for groups with complex needs bring high risk of failure, a SIB is a vehicle for transferring this from commissioners to social investors, who receive a return for success achieved.

Payment by Results

A key component of the SIB model is the PbR contract and the direct link between achievement of specified outcome metrics and the payment of providers, with linked financial return for investors. PbR aims to change the incentives for the providers of services by linking their rewards to the outcomes they achieve, rather than the service specification and output model that characterises traditional public server contracting. Providers have flexibility in how outcomes are delivered, within an agreed (evidence-based) model. In SIB models, private investment is used to pay for interventions delivered by expert providers. Financial returns are paid by the public sector on the basis of the improved social outcomes the interventions achieve. If outcomes do not improve, then investors do not recover their investment and thus the investment is at risk. Improved outcomes are those that would not be achieved by existing interventions. Demonstrating this requires a baseline of expected performance or a comparison group exploring what happens without the intervention.

The London Homelessness SIB

The SIB targeted a named, fixed cohort of 830 entrenched rough sleepers in London. The funding for the SIB was provided by DCLG to the Greater London Authority (GLA), who commissioned and managed the SIB contracts. Analysis of the CHAIN[4] database identified a cohort of rough sleepers who were not being targeted by existing special initiatives, beyond the broader landscape of provision for rough sleepers and homelessness prevention. CHAIN monitors contacts with rough sleepers in London on behalf of the GLA. The cohort was rough sleepers identified through CHAIN who between July and September 2012 had been:

- Seen sleeping rough and/or have stayed in a London rough sleeping hostel; and, seen rough sleeping at least 6 times over the last 2 years.

The SIB aimed to provide personalised recovery pathways, leading to sustained outcomes, by supporting the cohort to access and engage with existing provision. It targeted a cohort not covered by key programmes for the most challenging *long-term* entrenched sleepers or for those new to the streets. A keyworker 'Navigator' model was designed from evidence of effective interventions, providing personalised, flexible support. Two contracts were awarded for the SIB delivery. The two providers (St Mungo's and Thames Reach) each targeted half of the cohort. An equal split was created according to a range of support needs identified in CHAIN and by the borough where each individual was last seen. Given its centrality as a location for rough sleeping (529 of the cohort of 830), the Borough of Westminster was a shared area. The providers developed different

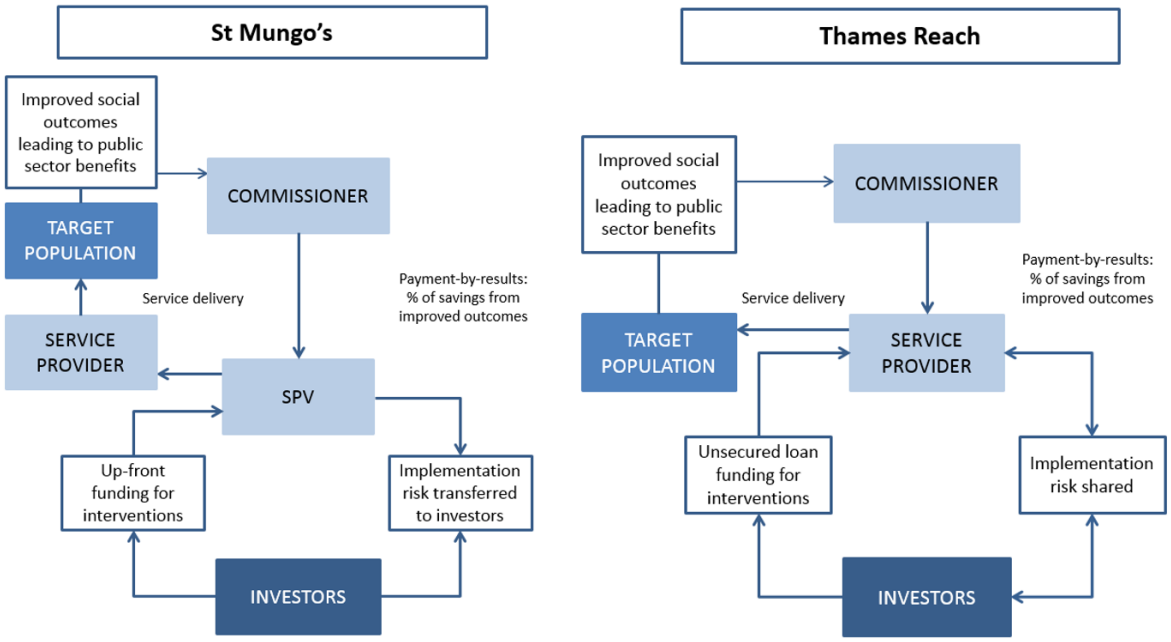
[4] CHAIN is the 'Combined Homeless and Information Network'. The database is for organisations who work with rough sleepers in London. The system is used to help workers share information about the people that they work with, across organisations. Over 80 projects contribute. It is hosted by Broadway on behalf of the GLA (http://www.broadwaylondon.org/CHAIN.html).

structures for delivering the 'Navigator' model. St Mungo's had a team supporting the cohort from the street to sustained accommodation; Thames Reach worked in this way in the first year, with a particular focus on those rough sleeping, and then split their team between street and accommodation support for the second and third years.

The SIB structure

The two providers developed different structures to finance their SIB contracts, as shown in Figure 1.1 below. St Mungo's Broadway established a Special Purpose Vehicle (SPV), which held the risk (a common feature of SIBs). Thames Reach funded their intervention through social investors' unsecured loans, and in this model the risk is shared (a less common structure). Both providers also invested their own equity.

Figure 1.1 The two providers' social investment structures



Source: DCLG and ICF

The PbR Structure

The SIB was structured by five outcomes, with proportions of overall payment allocated to reflect the priorities given to the outcomes and how the outcomes are interlinked. For example, inherent in the design of the SIB intervention and associated metrics is the rationale that health and wellbeing is expected to improve through the holistic support provided to clients. Achieving stable accommodation for the cohort, which is sustained over time, is central and these outcomes were allocated the greatest proportion of payments (40%), providing the greatest financial incentive. Sustained accommodation is inherently linked to a reduction in rough sleeping.

Table 1.1 The PbR outcome structure

Goal	Metric	Payment Mechanism	% funding
Reduced rough sleeping.	Reduced number of individuals rough sleeping each quarter.	Payments according to progress beyond a baseline of expected reduction.	25%
Sustained stable accommodation	Confirmed entry to non-hostel tenancy, and sustained for 12 and 18 months (with allowance for occasional rough sleeping).	Payment on entry to accommodation, and at 12 and 18 month points.	40%
Sustained reconnection.	Confirmed reconnection outside of the UK.	Payment on reconnection and at 6 month point.	25%
Employability and employment.	Sustained full-time employment. Sustained part-time employment. Sustained volunteering. Level 2 qualification achieved.	Payments when employment or volunteering sustained for 13 and 26 weeks. Payment for achievement of Level 2 qualification.	5%
Better managed health.	Reduction in Accident and Emergency episodes.	Payments for reduction in episodes against baseline.	5%

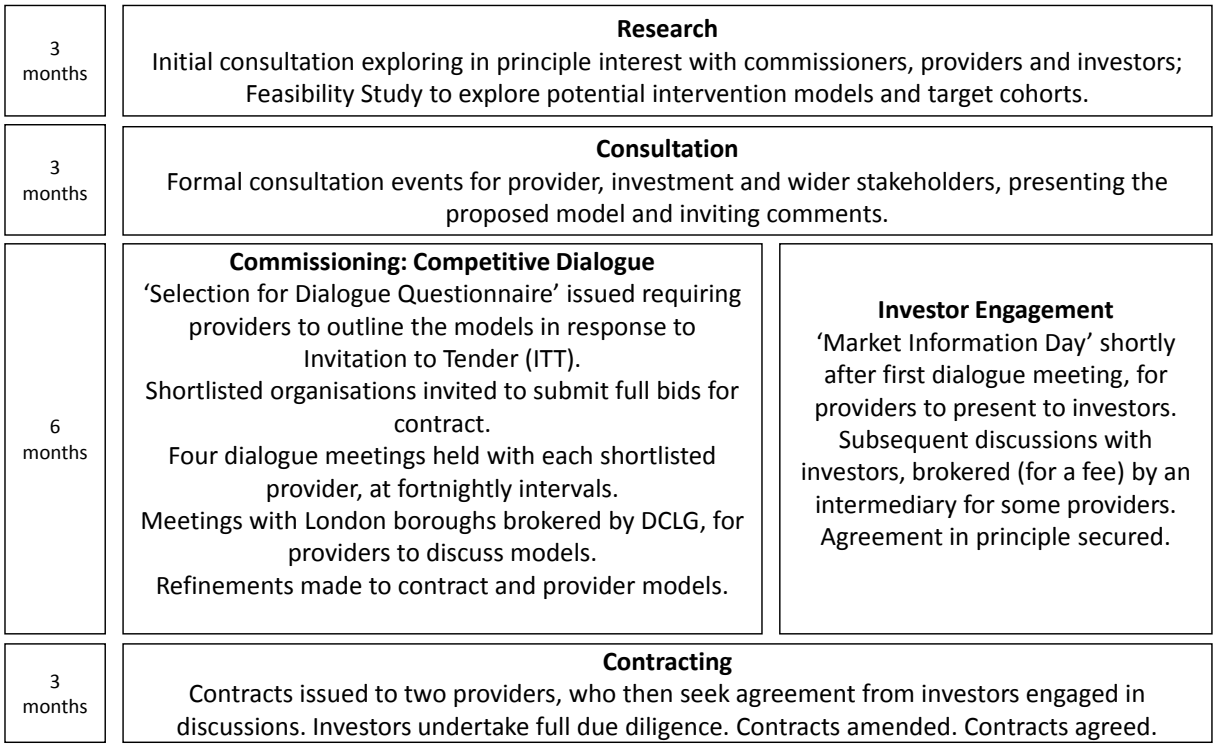
Source: GLA

Developing the London Homelessness SIB

The origins, development and commissioning of the SIB were explored in the first report from the qualitative evaluation[5]. Figure 1.2 presents the key stages and the time taken for each.

[5] https://www.gov.uk/government/publications/qualitative-evaluation-of-the-london-homelessness-social-impact-bond-first-interim-report

Figure 1.2 Key Stages in Commissioning the SIB



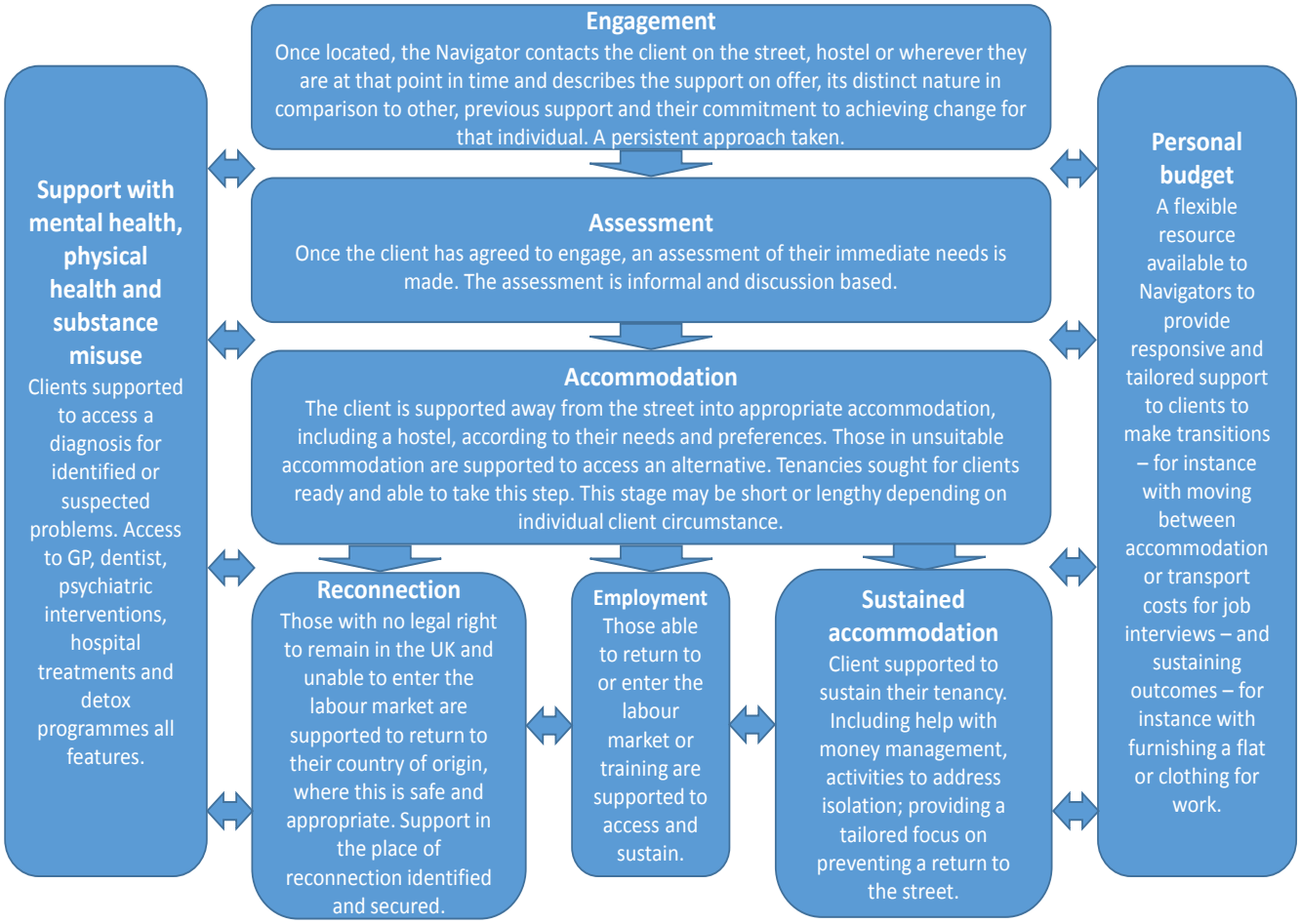
The report describes these stages in detail. Key findings include:

- The importance of the wide range of analysis and modelling undertaken to develop the SIB. Although a variety of evidence was available, due to the innovative nature of the SIB there were gaps in what was known about effectiveness for the target cohort. Wide ranging consultation with system stakeholders was thus an important stage in developing the model.
- A competitive dialogue process was undertaken to commission the SIB. This provided the opportunity for two way clarification of performance expectations and associated metrics including evidential requirements.
- A market information day was held to enable providers taking part in the competitive dialogue to present their models to social investors. There were mixed views of how successful this had been. It did provide links between provider and potential investors, but the opportunity for discussion was limited. The work to raise investment took place outside of the event. These discussions can be facilitated by an intermediary, with associated costs.
- Social investors are interested in social outcomes in their broadest sense rather than being sector specific. They therefore spent a lot of time learning about the providers, their past performance, ethos and credibility. As well as being new and innovative for commissioners and providers, the SIB was a new and innovative investment product for social investors.

The Navigator role in practice

The diagram below illustrates how the Navigator model designed for the SIB worked in practice.

Diagram 1.1 The Navigator role in practice



The PbR metrics were designed as clear, simple measures of the key outcomes represented by this pathway. Individual steps within this varied widely. The report explores each of the PbR outcomes in detail and how clients were supported to achieve them. It includes illustrative case studies of individual client's experiences that demonstrate the ways in which they were supported, the complexity of their circumstances and the difference made through the Navigator model. This is summarised below.

Outcomes achieved and views of performance

The report discusses the performance achieved for each of the five SIB outcomes (see 0) to the end of the third year of delivery (and not including the final 12 month payment tail) in detail. The chapters present achievement against the targets that the two providers set in their modelling of ambition for impact and associated financial return. The results of the impact evaluation are not included in the discussion but are briefly referred to.

- 443 of the cohort achieved an accommodation or reconnection outcome (using the outcomes measure; this status includes those in hostels as in accommodation, for

which no payment was made). This equates to 53% of the cohort, although this rises to 71% when people who either disappeared or who are deceased are excluded from the overall cohort.

There was mixed performance across the other outcomes, with over achievement against targets for full-time employment.

Rough sleeping

Whilst rough sleeping among the SIB cohort reduced, targets were largely not met[6] and performance against the metric tailed off during the third year. Stakeholders as well as providers described those remaining on the street as having well entrenched lifestyles, associated street networks and high barriers to engagement. Previous annual reports noted the similar performance of both providers and this has broadly continued in the final year, in terms of numbers sleeping rough.

Sustained accommodation

The SIB achieved above target levels of sustained accommodation at 12 months (241 outcomes against a target of 219) and 18 months (164 outcomes against target of 154). There were lower entries to stable accommodation with the overall target being very narrowly missed. This was due to lower than expected performance from Thames Reach in the second year; and slightly below target performance from both providers in the final year[7]. Members of the cohort who were supported in these later years were identified by the providers as having particularly complex needs. High numbers of the cohort were supported into PRS accommodation. This was seen as a particular success by strategic stakeholders

Reconnection

114 cohort members were reconnected to their country of origin and 83 were sustained at 6 months; both figures being below target[8]. Thames Reach achieved higher levels of reconnection outcomes than St Mungo's. However, Thames Reach set more ambitious targets and as a percentage of their target, the performance of the providers is broadly similar. Providers reported that reconnection cases were often complex to resolve; partnership working in home countries and the flexible resources available to support individuals were important features of success.

Employment

The SIB achieved full-time work outcomes that were above targets for both providers: 63 outcomes of full time employment sustained for 13 weeks (target 30); 38 outcomes of full time employment sustained for 26 weeks (target 25). Across the related employability

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[6] Despite rough sleeping targets not being met, the impact evaluation showed that the SIB had a significant posititive impact on rough sleeping over the first two years of the programme.

[7] The impact evaluation found the SIB had a significant positive impact on entry into long-term accommodation over the first two years of the programme. It was not able to assess the impact on sustainment of accommodation outcomes.

[8] Despite reconnection targets not being met, the impact evaluation showed that the SIB had a significant positive impact on reconnections of non-UK nationals over the first two years of the programme. It showed more mixed results when considering reconnections of both UK and non-UK nationals. The sustainment of reconnections of non-UK nationals was not assessed.

metrics, the final year of the SIB repeated the mixed performance of previous years: low numbers achieved the qualification outcome – with the level of qualification required seen as too high for the cohort; lower than target volunteering outcomes – with reportedly larger numbers of clients volunteering below the eight hours required by the metric; and, lower than expected numbers entering part-time work – with full time work seen as more viable and attractive for those ready to enter the labour market.

Health

There is no data available about the health outcome. Similar data (on visits to Accident and Emergency departments) was previously provided relatively quickly and easily by the NHS Information Centre (for a different cohort) for the SIB feasibility study, and there was agreement at the outset of the SIB that it would be provided for the main cohort in the same way. However, for the main SIB, the Health and Social Care Information Centre (HSCIC)[9] subsequently required specific consent from each of the cohort before data could be shared. Providers have been paid in lieu of the data being provided, and an application to the HSCIC is in process at the time of writing. All stakeholders were frustrated about the change in approach and the consequent delay in receiving the data.

However, there is a range of evidence of the SIB improving individuals' physical and mental health and wellbeing, but this was not captured by a metric. One feature of SIB support identified by both providers and their partners was a care coordination role that Navigators took in bringing together networks of provision for their clients. Being able to take this assertive approach with other agencies as well as with clients was an important innovation.

Stakeholder perspectives

Provider staff, from senior to front line levels, were all proud of the achievements of the SIB and the many individual success stories they were able to identify, although they would have liked to have achieved more. Both providers were able to pay investors their principal sum with interest. This meant that any further outcome payments achieved during the payment tail will be retained by them for reinvestment in services (including the maintenance of small teams to support the cohort during these final months).

The model of support, taking a long term and personalised approach that builds a trusting relationship for persistent and challenging support, as discussed in previous reports, was seen to be effective. The SIB promoted innovation in the use of a keyworker model providing intensive support for this target group with complex needs. The PbR provided a focus on what outcomes could be achieved across the cohort and there was no evidence of 'cherry picking'.

Investors in both SIB contracts were happy with overall performance and thus with their return on investment. Whilst disappointed that more outcomes could not be achieved, they understood this in the context of the SIB providing learning both about these investments but also about interventions aiming to achieve social outcomes with cohorts with complex needs.

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[9] The HSCIC replaced the NHS Information Centre and was created as a non-departmental public body through the Health and Social Care Act 2012. From summer 2016 HSCIC became known as NHS Digital.

The broadly positive views of performance expressed by providers and investors were shared by wider stakeholders. Participants in the evaluation from the GLA, DCLG, Cabinet Office and London boroughs were almost all positive about the outcomes achieved overall and in particular in relation to accommodation and employment. The Navigator model was seen as a success.

Effective practice

The evidence from the evaluation suggests that the Navigator intervention model is effective in supporting entrenched rough sleepers with high levels of complex needs. The two providers had different cost models for their teams, with a lower cost team at Thames Reach, and broadly similar outcomes achieved up to the start of the payment tail. The evaluation evidence suggests that the key features of effective provision are:

- A relational and non-judgemental approach that is persistent and builds trust;
- A long-term approach that extends from initial street contact to sustained outcomes across the full pathway of support, which is usually split across different organisation.
- Support that can be split across different roles along the recovery pathway, if this is carefully negotiated on a case by case basis;
- Support that is provided in home languages and culturally sensitive;
- A focus upon a personalised package of flexible and responsive support tailored to individual circumstance and need;
- An immediate focus upon securing appropriate accommodation and providing practical and emotional support to sustain this;
- A focus upon supporting clients to access existing provision, including advocating for and coordinating appropriate support;
- Effective partnership working – both in identifying key partners and in building positive relationships with those who are receptive and resistant to joint working;
- Flexible funding that can be used to purchase goods and services quickly and according to individual need; and,
- Delivery by skilled, motivated practitioners.

The approach enables a heterogeneous cohort to be supported towards common outcomes. However, not all of such a diverse cohort can achieve outcomes. Substance misuse and mental health problems are particular barriers to progression. Three years may not be long enough to support those with the most complex needs to stable, sustained outcomes. It should be noted that the innovative Navigator role established by the SIB was dependent upon there being a wide range of services for the cohort to be supported to access and engage with. Thus, as well as available provision, partnership working is important in order to meet complex needs. Developing effective partnerships takes time and resources.

Role of social investment

The impact on the organisations from the involvement of social investors was limited. Both organisations are large, stable and successful providers of key homelessness support services across London. Both had learnt how to effectively manage PbR contracts and the demands of data collection, review and analysis in supporting outcomes based working. It had led both organisations to reflect on how they could use data in existing and future contracts, as well as internally, to understand the outcomes for their clients and how support could more effectively achieve them. But this is perhaps more an impact of the PbR contract itself than of investors' involvement, although the two are closely related in a SIB. Investors themselves raised questions about whether the SIB was targeted at organisations who could most benefit from their involvement in terms of performance and financial management.

Role of PbR

The PbR structure supported a flexible approach to delivery of a tailored, personalised intervention. It incentivised an outcomes rather than a structured, generic delivery model based on set progression stages and routinised pathways. It promoted innovation, enabling different models of support to be developed and providers to use their resources flexibly, for instance using volunteer peer mentors. It made Navigators more aware of problems and meant they could focus on the issues facing clients; it also provided additional motivation.

The impact of the SIB on the wider landscape of provision

Overall, stakeholders from the wider landscape who contributed to the evaluation saw the SIB as providing additional resource to supporting rough sleepers in London, and thus freeing up capacity within existing services to work with those outside the cohort. Nonetheless the SIB created demands upon a wide range of partner agencies and a wide range of relationships were required to be built and maintained. One impact from the SIB has been the learning by commissioners of services about PbR and outcome based contracts. This can be expected to have a lasting impact on services in the future.

The importance of external, contextual factors in SIB performance

The availability of appropriate accommodation was a key factor in supporting the cohort to stable tenancies. The lack of appropriate housing outside of hostels, single bed flats and supported housing for those with high levels of complex needs were particular gaps in provision that were identified. The changes to benefit entitlement that took place during the SIB as part of the government's welfare reform agenda was another factor. The complexities of the benefits system, including appeals, took a significant amount of Navigator resource to address, limiting the time for other activities. The availability of specialist provision was also highlighted throughout the three years of the evaluation as the key challenge in addressing clients' health and wellbeing needs.

Recommendations

The report provides a set of recommendations for different audiences, which are summarised here.

Recommendations for SIB interventions

When commissioning SIB interventions, commitments should be made to how successful models will be sustained beyond the contracted period; SIBs are intended to transfer the risk for testing innovation rather than an alternative funding model for mainstream provision.

Commissioners should consider the ways in which investors can be engaged in the development of SIB structures, so that risks that may impact upon investment can be identified and addressed; or, allow sufficient time for due diligence and investors' different decision making processes to be followed.

Until SIBs are a more mature product, specialist support will be required by commissioners and providers (for instance to develop costed outcome models, secure investment and agree contracts) and this brings a cost. A wide range of proven PbR models are required before these are established, with robust metrics that reduce risk and associated costs.

An SPV is not always necessary and SIB commissioning should be open to different investment structures.

SIBs must be well researched and robustly designed. But the limits of available data for innovation mean that they must also be developed through stakeholder consultation.

'Competitive dialogue' offers an appropriate process for commissioning a SIB. Consideration should be given to awarding contracts prior to investment being brokered.

SIB commissioning should consider the purpose of working with the VCIS. Large organisations may be able to take the full risk of a 100% PbR SIB contract without social investment, and this may provide greater value for money.

An SPV has the potential to assume the functions of traditional commissioners in closely scrutinising performance and intervening in delivery. Provider investment in an SPV mitigates this as the risk is shared.

To ensure maximum learning from the London Homelessness SIB, the final outcome data for the SIB, at the completion of the payment tail, should be made available and the final impact of the programme assessed.

Recommendations for PbR contracts

Incentivising an outcomes focus, promoting innovation in service delivery to meet the needs of vulnerable and complex groups may not necessarily require a 100% PbR structure.

PbR brings new roles for commissioners which can bring a heavy administrative burden. Commissioners should prepare for their role by ensuring sufficient capacity for monitoring and providing supportive governance that is responsive to learning.

PbR governance should recognise that metrics may need to be adapted once delivery begins, particularly where designs are new. Robust data sharing agreements should be developed across government.

Recommendations for effective provision for entrenched rough sleepers

The CHAIN database is a unique source of data about rough sleeping in London with similar datasets unlikely to be available in other areas of the UK (or beyond). Commissioners of rough sleeping services should consider what data is available to

support PbR outcome metrics for homelessness interventions which do not necessarily rely on measures of rough sleeping, or consider developing a system like CHAIN.

In SIB or PbR contracts, consideration should be given to the cohort defined – in this SIB the cohort was broad and heterogeneous and a more tightly defined cohort could focus support solely on the most entrenched.

The Navigator intervention model is effective in supporting rough sleepers and the homeless with the most complex needs. It provides a personalised, flexible model for supporting access to and engagement of the wide range of services required to progress to sustained outcomes; as well as emotional and practical support. Yet for the most entrenched, three years may not be sufficient to achieve sustained outcomes.

Mainstream services should be targeted for awareness raising about the particular needs of homeless people and the issues of homelessness; and care pathways developed. Effective provision to address rough sleeping requires wide reaching multi-agency partnership working and this should be a feature of any intervention model.

There is an appetite amongst providers, investors and commissioners for SIBs targeting homelessness. The reasons for this are: because of the potential for social outcomes to be achieved for this highly vulnerable group; the potential for high costs savings to the public purse that are associated with these outcomes; the flexibility for intervention delivery that a SIB (PbR structure) enables.