

Social Investment

Social Impact Bonds for Housing First

About

This is a discussion paper about the advantages and challenges of using social investment, Social Impact Bonds (SIBs) and a payment by results method to fund Housing First projects.

The information in this document has been collected during discussions at roundtables, focus groups, steering groups and workshops from Housing First England conferences and events.

Introduction

The role of Housing First in tackling homelessness has come into focus in the last few years, especially with the large scale pilots programme underway in three regional authorities. An increasing number of areas are recognising it as a successful model for helping people with severe and multiple disadvantages to sustain accommodation.

Housing First England is interested in exploring the advantages and challenges of funding Housing First through social investment, SIBs and a payment by results method for several reasons:

- **It's being used elsewhere** - In Finland, they have used social investment to buy properties to use as part of Housing First projects.
- **Future cost savings** - The Housing First model has the potential to offer cost savings to a wide-range of public services. If we can demonstrate this, this would offer a good return for investors.
- **Government funding** - The Government sometimes offers funding via Social Impact Bonds. It would be good to consider how, with funding for projects often vulnerable, we can make use of this to fund Housing First.

What is Housing First?

Housing First is an approach to providing housing and support, which prioritises access to stable housing over the requirement for an individual to first address any other support needs. The intervention is shown to be successful for people experiencing repeat homelessness and multiple disadvantage, providing an independent home alongside intensive support that is free from conditions apart from the willingness to sustain a tenancy.

The offers of housing and support are separate, but permanent, and enable people to sustain their home and work towards improvements in their health and wellbeing. To be most effective, services should be designed and delivered in line with the key Principles for Housing First in England.

What are Social Impact Bonds?

Social Impact Bonds (SIBs) are a form of investment with a purpose of improving a societal issue. They are a three-way relationship between an investor, a delivery organisation and an outcomes payer. So far in England they have mainly been used to improve the social outcomes of services by making early intervention funding available that will then deliver long-term savings to local or central government e.g. through reduced unemployment rates, re-offending rates and reductions in A&E admissions.

Put simply, investors provide funding to an organisation (charity or social enterprise) upfront to set up the project. The organisation then delivers the service and monitors their impact. If they deliver the outcomes that were agreed with the investor, local or national government will issue payments to the organisation based on a 'rate card' that details how much various outcomes are worth. The organisation can then repay the investment.

The risk here lies with the organisation. If they do not achieve the outcomes they will not receive full payment and may therefore be unable to re-pay the investor. Providers should be aware of the additional focus and resources required for monitoring outcomes.

SIBs are usually provided through central government programmes and localised commissioning processes. They may be led by providers who have identified how social investment might be used to tackle an issue of interest to commissioners. Investors include specialist social investment funds, foundations and individuals.

Advantages

Through discussion with organisations aiming to deliver Housing First using a SIB funding model, it was obvious that there were clear advantages:

- Social investment can be used to 'make the case' for Housing First where there is resistance through traditional commissioning approaches.
- It can increase flexibility in the roles and remits of team members so that people with different expertise can be brought in to address specific challenges.
- It can be used to facilitate secondments from other sectors (e.g. mental health and substance misuse) into the Housing First service (e.g. to back fill posts).
- Using social investment to facilitate secondments can increase people's access into services and can identify gaps in service provision.
- It may support the development of strategic and operational partnerships at a local level, in which stakeholders can come together to develop and deliver something different.
- Payments based on outcomes allow providers to be creative in the approaches they take to support people to achieve the outcomes.

Challenges

Whilst SIBs and payment by results models have advantages, there are specific challenges in using this method to fund and deliver Housing First.

Costs and finances

- Whilst it can be useful to make the case to commissioners, there is no guarantee that they will continue to fund the service in the long run, which is a risk for Housing First.
- There is a financial risk to organisations who will usually need to pay interest to the social investor.
- Organisations may need to cover services costs while awaiting payments for outcomes.
- There can be a number of administrative layers, which can slow down the process of monitoring, reporting and payments.

- Some level of commitment is required from other partners to enable certain outcomes to be achieved. These commitments may not always materialise (e.g. offers of accommodation).
- Some bank loans may come at a cheaper rate than social investment.

Impact on support to individuals

- A payment by results method was described by one agency as ‘very black and white’ in terms of the outcomes being monitored. Housing First services, working with people experiencing multiple disadvantage, can find it difficult to achieve such rigid outcomes.
- Outcomes set in advance by funders can impact the support provided, especially if workers are aware about which outcomes are expected in return for payment. This completely contradicts the ethos of Housing First which is underpinned by person-centred and client-led support.
- There is often a requirement in SIB funded projects that the full cohort is recruited in the first year. These time constraints can adversely impact the approach to engagement and support, which is especially important in Housing First. Those with more entrenched needs require a service to have flexibility to build trust and rapport.
- If the service over-recruits then there is a risk that caseloads are too high.
- The outcomes of a payment by results method are very concrete, yet lots of work and effort is required to achieve each outcome, especially in Housing First where it may take longer to engage someone and where individuals have choice and control around the services and activities they interact with. If Housing First is to be funded on a payment by results model, consideration needs to be given to the elements of the work that payments are attached to, in order to reduce the potential conflict between the desired outcomes of the funder and those being supported by the service.
- There is a need to gather evidence of how each outcome has been met. Tenancy agreements can be used to prove tenancy outcomes, but others, such as accessing services or individual improvements to health and wellbeing may require self-certification from the client. Asking a client to sign this off can seem impersonal and may impact the dynamic in the relationship.
- There is a lot of reporting involved. Getting paperwork together to prove outcomes is very time intensive and can detract from work to support a client.

Conclusion

A key principle of the Housing First approach is that flexible support is provided for as long as is needed. However, access to sustainable funding is one of the biggest challenges faced by those looking to provide Housing First in England today. Although the number of areas offering Housing First has increased, the funding available for support is often short-term and precarious.

We recommend that all potential funding options are considered and that those designing the service consider how provision can be best sustained in the long term. However, while SIBs offer a degree of flexibility and encourage innovation and partnership working, there are a significant number of limitations in relation to using this funding model for Housing First. We would not therefore recommend this or other payment by results models unless careful consideration is taken to address the challenges described above.

For more information on funding for Housing First, please see our research: *Investigating the current and future funding of Housing First in England*¹

¹ https://www.homeless.org.uk/sites/default/files/site-attachments/Investigating%20the%20current%20and%20future%20funding%20of%20Housing%20First%20in%20England_Aug18.pdf



What we do

Homeless Link is the national membership charity for frontline homelessness services. We work to improve services through research, guidance and learning, and campaign for policy change that will ensure everyone has a place to call home and the support they need to keep it.

Let's end homelessness together

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