



Department for
Communities and
Local Government

Qualitative Evaluation of the London Homelessness Social Impact Bond: First Interim Report

© Crown copyright, 2014

Copyright in the typographical arrangement rests with the Crown.

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, www.nationalarchives.gov.uk/doc/open-government-licence/ or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

This document/publication is also available on our website at www.gov.uk/dclg

If you have any enquiries regarding this document/publication, email contactus@communities.gov.uk or write to us at:

Department for Communities and Local Government
Eland House
Bressenden Place
London
SW1E 5DU
Telephone: 030 3444 0000

For all our latest news and updates follow us on Twitter: <https://twitter.com/CommunitiesUK>

September 2014

ISBN: 978-1-4098-4342-9

Contents

Executive summary	iii
1 Social impact bonds	iii
2 The London homelessness social impact bond	v
3 Developing and commissioning the London homelessness SIB	vi
4 Delivering the London homelessness SIB	ix
5 Client perspectives	xi
6 Conclusions and recommendations	xi
1 Introduction	1
1.1 The London homelessness social impact bond	1
1.2 The evaluation	6
2 The context for the London homelessness SIB	9
2.1 The problem of entrenched rough sleeping in London	9
2.2 The cohort targeted by the SIB	10
2.3 The network of provision for rough sleepers in London	10
2.4 Effective provision for entrenched rough sleepers	13
2.5 Summary	14
3 Social impact bonds (SIBs)	16
3.1 Background	16
3.2 History of SIBs and current context of the SIB market	17
3.3 Key features of the SIB model	19
3.4 Payment by results (PbR)	20
3.5 Advantages of the SIB model	23
3.6 Critiques of the SIB model	25
4 Developing the London homelessness SIB	31
4.1 Origins	31
4.2 Developing the SIB	32
4.3 Commissioning the SIB	39
4.4 Procuring the SIB contracts	46
4.5 Summary	52
5 Delivering the London homelessness SIB	55

5.1	Introduction	55
5.2	Delivery models	55
5.3	Staffing	60
5.4	Governance and management	61
5.5	Partnership working	64
5.6	Performance and experiences of early implementation	67
5.7	Summary	79
6	Client Perspectives	81
6.1	The sample	81
6.2	The variety of the cohort	82
6.3	Awareness of the SIB	84
6.4	First contact	84
6.5	Coordinated, responsive support	84
6.6	Summary	89
7	Conclusions and Recommendations	91
7.1	Key findings	91
7.2	Learning from the first year of the London homelessness SIB	93
7.3	Recommendations	97

Executive summary

The London Homelessness Social Impact Bond ('the SIB') was launched in November 2012. It was 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. In July 2013, ICF GHK¹ (ICF) was commissioned by the Department for Communities and Local Government (DCLG) to undertake a qualitative process evaluation of the SIB. This is the first interim report from the qualitative evaluation. An economic impact evaluation is being undertaken internally at DCLG. The qualitative and impact strands will be brought together in a synthesis evaluation in 2016.

1 Social impact bonds

The *Open Public Services White Paper* (HM government, 2011)² laid out a comprehensive policy framework to promote a fundamental shift in public services. The White Paper identified Social Impact Bonds (SIBs) as an innovative opportunity to access new forms of external finance for the delivery of services. It also promoted greater use of payment by results (PbR) contracts.

SIBs are one product within the growing social investment market. Social investment provides funding to social ventures to expand their services, exploit new opportunities and achieve scale in order to achieve greater social impacts. The first UK SIB was introduced in 2010 and, in early 2014, there are 15 SIBs in the UK.

Payment by results (PbR)

PbR contracts mark a shift towards paying providers for the *outcomes* they deliver in markets that have traditionally purchased *activities* measured by *outputs*. PbR contracts have begun to be widely used (outside of SIBs) and are a cornerstone of the government's 'Open Public Services' agenda.³ They are an important risk transference tool as commissioners only pay for those results that are evidenced, transferring the risk of paying for 'failure'. In SIBs, they structure the link between achieved outcomes, payment of providers and the financial return for investors.

Key features of a SIB

Although there are variations in SIB models, a typical structure usually involves an investor-owned Special Purpose Vehicle (SPV)⁴, which takes on the PbR contract and

¹ In March 2012 ICF International acquired GHK Consulting. ICF GHK was the brand until May 2014, when it became ICF.

² Open Public Services White Paper. 2011. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/255288/OpenPublicServices-WhitePaper.pdf

³ NCVO. 2013. 'Payment by Results contracts: a legal analysis of terms and process'. Available at: http://www.ncvo.org.uk/images/documents/practical_support/public_services/payment_by_results_contracts_a_legal_analysis_of_terms_and_process_ncvo_and_bwb_30_oct_2013.pdf

⁴ A special purpose vehicle is an off-balance sheet vehicle comprised of a legal entity created by the sponsor or originator to fulfil a temporary objective of the sponsoring firm. SPVs can be viewed as a method of disaggregating the risks of an underlying exposure held by the SPV (in this instance, a provider contract) and

sub-contracts to a service provider(s) - the Service Delivery Organisation (SDO). Social investors may include private funders, foundations, trusts, social banks or philanthropic investors, providing the finance for the SDO's set-up and delivery costs via the SPV. The SPV usually hosts a Performance Director or Board responsible for monitoring SDO performance.⁵ In this way, the risk in the PbR contract is transferred away from the provider, promoting the involvement of voluntary and community sector (VCS) organisations.

A key role in the development of a SIB is that of an intermediary.⁶ The typical role varies with each SIB but can be categorised by three distinct functions:

1. **Advisory** – advising commissioners about the structure of the SIB and the payment/outcome metrics.
2. **Corporate finance functions** – involvement with establishing the SPV and structuring 'the deal'. This could include attracting investors, undertaking due diligence and collecting data on service delivery organisations, and providing support during the commissioning process.
3. **Performance management of the PbR contract** – this generally involves tracking the progress of the performance outcomes by the SDO and reporting back to investors.

Critiques of the SIB model

- For many social outcomes, agreed measures do not exist and have to be created⁷ and the collection of information to evidence outcomes brings an associated burden.⁸ This need for detailed development brings 'transaction costs' for SIB development.
- Whilst intended to promote VCS involvement in public service delivery, there is a concern that few providers are placed to make the transition to new approaches required by models such as SIBs.⁹
- Achieving a balance of risk is a debate critical to the future of the SIB model. Structures for transferring the risk to investors are new and the pricing of risk and return has proved problematic. Higher risk inevitably brings higher investment costs.

reallocate them to investors willing to take on those risks. (PwC. 2011. 'Creating an understanding of Special Purpose Vehicles'.)

⁵ Social Market Foundation. 2013. 'Risky Business'. <http://www.smf.co.uk/research/public-service-reform/risky-business-social-impact-bonds-and-public-services/>

⁶ Disley, E., Rubin, J., Scraggs, E., Burrowes, N., Culley, D. (2011), *Lessons learned from the planning and early implementation of the Social Impact Bond at HMP Peterborough*. RAND Europe, Ministry of Justice

⁷ McHugh, N., Sinclair, S., Roy, M., Huckfield, L. & Donaldson, C. 2013. 'Social Impact bonds: a wolf in sheep's clothing?'. *Journal of Poverty and Social Justice* 21(3), pp247 – 257.

⁸ *ibid.*

⁹ See Big Society Capital (2013) *Social Investment Compendium*

http://www.bigsocietycapital.com/sites/default/files/pdf/Social%20Investment%20Market%20Compendium%20Oct%202013%20small_0.pdf

2 The London homelessness social impact bond

The SIB targets a named fixed cohort of 831 entrenched rough sleepers, identified through the CHAIN database¹⁰, with a personalised, flexible approach delivered by keyworkers that helps them access existing provision and achieve sustained long-term positive outcomes. This includes reconnection for non-UK nationals to their home country where this is the most appropriate outcome for them (assisted voluntary repatriation, administrative removal or deportation).

Two organisations (St Mungo's and Thames Reach) are contracted to deliver the SIB intervention to a matched half of the cohort. The cohort is rough sleepers who on 31st October 2012 had been:

- Seen sleeping rough and/or stayed in a London rough sleeping hostel in the last 3 months; and,
- Seen rough sleeping at least 6 times over the last 2 years.

Rough sleepers are amongst the most vulnerable people in society - of the cohort: 48% had an alcohol support need; 29% a substance misuse support need; and, 44% a mental health support need.¹¹ A wide range of provision exists for rough sleepers and homeless people (151 providers operating in London in 2012¹²), with the GLA having strategic responsibility for pan-London commissioning and coordination. The SIB helps the cohort access appropriate services, across personalised recovery pathways, and into sustained outcomes. It targets a cohort not covered by key programmes for the most challenging *long-term* entrenched sleepers or for those new to the streets.

The SIB structure

There are two organisations contracted to deliver the SIB – St Mungo's and Thames Reach – each targeting half of the cohort. The cohort is split between them 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 831), the Borough of Westminster is a shared area.

The two providers have developed different structures to finance their SIB contracts, as shown in Figure 1.1 below. St Mungo's has established an SPV, which holds the risk. Thames Reach has funded their intervention through social investors' unsecured loans, and in this model the risk is shared. Both providers have also invested their own equity.

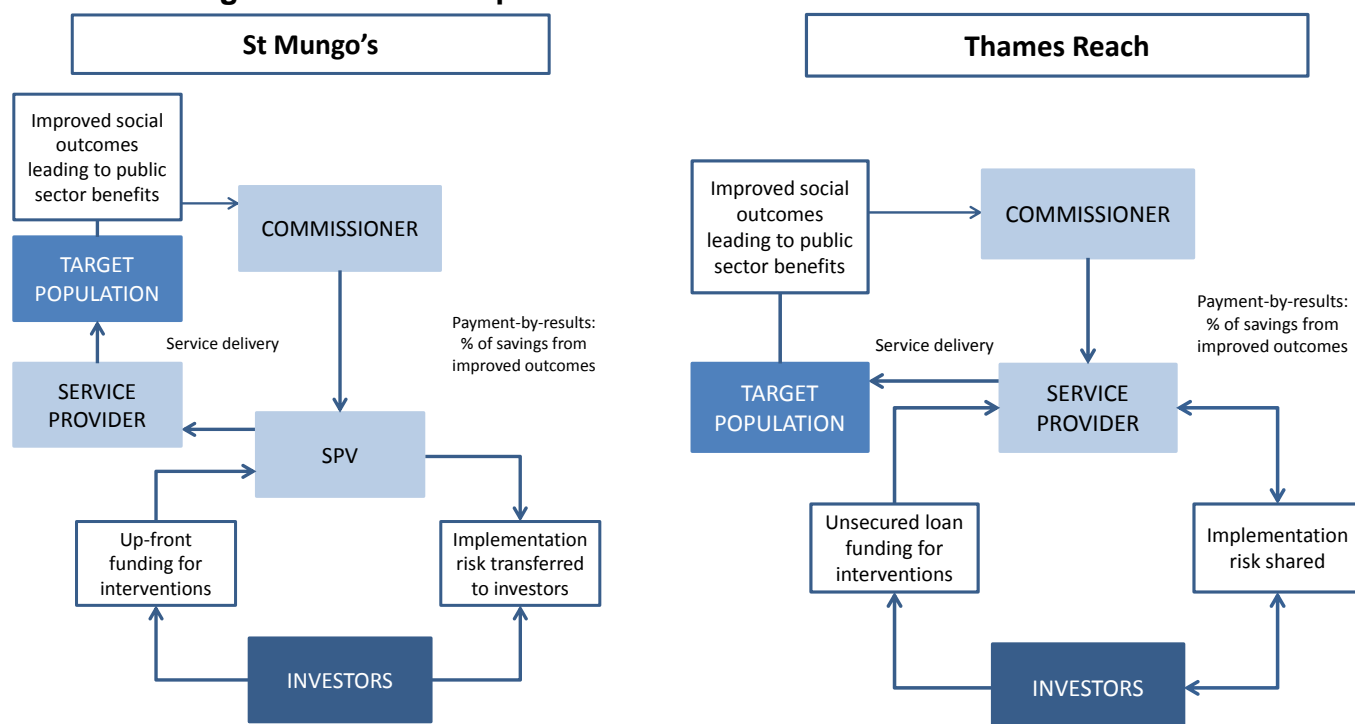
¹⁰ CHAIN is the 'Combined Homeless and Information Network'. The database is for organisations who work with rough sleepers in London. The system is used to help workers share information about the people that they work with, across organisations. Over 80 projects contribute. It is hosted by Broadway on behalf of the GLA

¹¹ 'Cohort Split' analysis, Social Finance SIB commissioning document, November 2012

¹² London Housing Federation (2012), *Atlas of Services for Homeless People in London*.

http://www.lhf.org.uk/sites/all/themes/lhf/pdf/atlas_2012.pdf (latest version available at time of writing).

Figure 1.1 The two providers' social investment structures



3 Developing and commissioning the London homelessness SIB

The SIB emerged as a potential way of trialling innovation in, and bringing new finance to, provision for rough sleepers in London within DCLG in 2011, reflecting the wider discussions across government about the potential of PbR and SIB structures for innovation in public services.

Research and consultation

Informal consultations were held with stakeholders from the GLA, local authorities and providers delivering contracted services for rough sleepers and homelessness support in London to take soundings on the SIB concept. There was initial interest and discussions within DCLG, Her Majesty's Treasury and the Cabinet Office built political and stakeholder backing. A potential £5m fund was identified and Social Finance (in partnership with the Young Foundation) was commissioned to develop the skeletal structure through a *Feasibility Study*.

The *Feasibility Study* included a wide-ranging consultation and evidence review to identify an effective intervention model. In the absence of a model that had been subject to robust evaluation, the review instead identified the key features of an effective intervention: a 'Navigator' model.

Key features of a navigator model

- **The Navigator has a budget to support a personalised approach, act as a single point of contact for the client and the services working with**

them, and help the cohort through the landscape of existing provision.

- They would be a key worker, supporting the client from an individualised assessment through the network of provision necessary to address their support needs, and sustaining this support over time.
- An outcomes based structure would enable Navigators to take an assertive, tailored and personalised approach rather than the delivery of any one intervention.

A wide range of analysis and modelling was undertaken, which showed a budget of £5m could achieve a high level of support across the cohort through improved outcomes. The PbR structure and outcomes developed are summarised in Table 1.1, with the outcome payments proportioned to incentivise delivery and recognise scale and challenge.

Table 1.1 The PbR structure

Goal	Metric	Payment Mechanism	Payment Proportion
Reduced rough sleeping.	Reduced number of individuals rough sleeping each quarter.	Payments based on progress beyond expected baseline.	25%
Sustained stable accommodation.	Entry to non-hostel tenancy, and sustained for 12 and 18 months.	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.	Level 2 qualification achieved Sustained volunteering Sustained part-time employment Sustained full-time employment.	Payment for achievement. Payments when volunteering or employment sustained for 13 and 26 weeks.	5%
Better managed health.	Reduction in Accident and Emergency episodes.	Payments for reduction in episodes against baseline data from Department of Health.	5%

Source: GLA

Social Finance, DCLG and GLA then ‘sense tested’ the model through meetings and stakeholder forums. Providers contributing to the study explained that ‘the consultation was meaningful and our concerns were listened to.’

Commissioning the SIB: competitive dialogue

A ‘Competitive Dialogue’ process was followed to commission the SIB. This was new for a service intervention of this type, but important as it enabled a dialogue with providers about the complex issues in the SIB design. It was intended to ensure that viable, high

quality tenders resulted, with attention focused on a shortlist with the capacity and capability to deliver the contract.

The process produced refinements rather than substantial changes, but those involved agreed that it enabled both commissioners and providers to develop confidence: for commissioners, that high quality tenders would be submitted; and for providers, that they could develop their initial plans to meet the requirements of commissioners.

Engaging social investors

A 'Market Information Day' for social investors followed the first competitive dialogue meeting. Each shortlisted provider presented on their organisation, intervention model and ability to deliver the outcomes. Some providers presenting found the event disappointing – reporting limited opportunity for engagement with the investors and that few questions were asked of them. Social investors also had mixed views, and felt that there had not been enough time to discuss providers' models. A minority thought the event was useful in providing an initial introduction to the providers and their credibility in delivering the SIB.

Provider-investor discussions

There were two models of negotiation between shortlisted providers and potential social investors:

- **Provider-led** – followed by three providers, who contacted and met with social investors attending the Market Information Day, as well as others found through existing contacts and internet research. In this model, providers hold initial 'in principle' discussions to explore investor interest before moving to more detailed negotiations. Providers found this extremely time consuming, as investors required much information on the providers' financial standing, track records in delivering support to rough sleepers, and their planned delivery model (including plans for outcomes over time and associated payments and cash-flow). Despite this detail, they remained exploratory discussions.
- **Intermediary function** – followed by one provider (St Mungo's), who agreed that Triodos bank would act as an intermediary following the Market Information Day. For a fixed fee, Triodos prepared the information investors required, liaised with them on St Mungo's behalf and provided a high level of support with negotiations. Investors were positive about the Triodos role as it reduced the work that they needed to undertake.

Commissioning the SIB

Contracting the SIB

The ITT was issued to the shortlisted providers, with five weeks for submissions building on their competitive dialogue materials. Four tenders were received and the two contracts awarded. The tenders were judged for both the scale of outcomes proposed and the discount provided on the maximum tariffs (the amount paid per outcome). The proposed delivery models were also judged in qualitative terms. In this way, a balance was achieved in assessing: how achievable the outcomes were in each model; the ambition of the providers to achieve outcomes; and, value for money.

Securing social investment

One key challenge for commissioning the SIB was the need to closely align the award of contract with the final investment models so delivery could begin as planned on 1st November. Investors were not able to commit funds until the contract(s) were awarded, and after their full due diligence processes. Each investor has their own institutional priorities and decision-making processes, and due diligence was time consuming for investors and providers. For St Mungo's, Triodos played a crucial role in brokering these discussions and investigations.

Structuring the investment

St Mungo's SPV involves two institutional investors and two high net worth individuals, each brokered by Triodos. In addition, St Mungo's equity investment is at risk before the bonds; in this way some of the risk is shared. The investors have the set annual interest rate paid quarterly, with the principal sum repaid after the end of the contract once all potential sustained outcomes have been achieved. The rate of return cannot be reported due to commercial confidentiality; but it is around the mid-point of the range of SIB rates reported elsewhere.¹³ Although the rate of interest is higher than is available from a high street bank for other products the risk of the SIB investment, its nature as a pilot product and the high due diligence costs makes this an appropriate rate of return in the view of investors.

Thames Reach has a mixed equity and loan structure. One potential investor withdrew very late in the process as they considered the risk too difficult to assess. This required a lot of late work to secure the full investment. Two investors provided unsecured loans at discounted rates. One investor has an additional rate of return linked to achievement of outcomes. The primary rates of interest on these loans are less than that paid by the SPV. In addition to these loans, Thames Reach secured a grant to support the reconnection outcomes. This grant was provided from a Trust with existing links with Thames Reach and to support them in achieving a successful financial model. Thames Reach's equity investment is at risk before the loans (similar to St Mungo's equity in the SPV). Because the loans are unsecured, both Thames Reach and the investors share the overall risk.

4 Delivering the London homelessness SIB

The two providers' models are broadly similar, where key workers provide a personalised and client-centred approach that is flexible and responsive. Although features of the support model are not new, their combination in providing a long-term focus on sustained outcomes is the innovation.

Governance

A Project Board of DCLG, GLA and London Boroughs meets quarterly to review progress against the outcomes and address any issues that are identified. The Board is informed

¹³ Big Society Capital (2013), *Social Investment Compendium: portfolio of research and intelligence on the social investment market*, p8
http://www.bigsocietycapital.com/sites/default/files/pdf/Social%20Investment%20Market%20Compendium%20Oct%202013%20small_0.pdf

by a Project Group, featuring the providers, GLA and DCLG, which focuses on operations and provides a forum to raise issues and share effective practice.

GLA has created a dedicated post for monitoring the two SIB contracts. This is in contrast to other contracts for homelessness services, all of which are covered by a single post. The post was created because the evidential and monitoring requirements are much more onerous than a standard contract.

For St Mungo's, the SPV holds the contract and this provides the governance. The SPV Board is made up of representatives from the two institutional investors and from St Mungo's. For Thames Reach, the SIB contract is a dedicated item on the finance sub-committee, which receives information on results and expenditure and income versus budget.

Partnership working

The boroughs that participated in the research had broadly positive views of the SIB, although there were early concerns about the focus of the intervention as a new funded initiative; the PbR structure; and, the impact on the existing landscape of provision. Similar concerns were expressed by providers from the wider service landscape that the SIB interacts with. Early difficulties in developing effective partnership appear to have been addressed. Other providers are willing to work with the SIB for the benefit of clients – it is this shared commitment to outcomes that motivates them.

Performance and experiences of early implementation

Performance in the first year of delivery is summarised below:

- **Outcome 1: Reducing rough sleeping** - Both providers struggled to meet their quarterly reduction in rough sleeping targets, although St Mungo's exceeded their target in quarter four. The flexibility of the SIB to secure appropriate accommodation quickly as the basis for long-term support is seen as important for success. Challenges include: missing out on outcomes if clients occasionally sleep out, and the difficulty in finding accommodation for some clients.
- **Outcome 2: Into stable accommodation** - Both providers performed strongly against the entering stable accommodation outcome, with 12 and 18 month sustained accommodation being reviewed in later reports. Key features of success include: accessing accommodation outside of traditional frameworks; and providing practical and emotional support to help clients to sustain it. Challenges include: the limited accommodation available.
- **Outcome 3: Sustained reconnection to home country** - Both providers fell behind with their initial reconnection and sustained reconnection targets, with performance being stronger for Thames Reach than St Mungo's, and identified by them as a focus for work in year two. Challenges include: clients' needs being as complex needs as entrenched rough sleepers; early reconnection requiring much preparatory work; and clients not wanting to be reconnected.
- **Outcome 4: Progress towards employment** - Performance was mixed across the different sub-measures, and while few qualifications or volunteering placements were achieved, entry into and sustained full-time employment was above target.

Most clients were reportedly at some distance from securing work, with common challenges including having no or few qualifications and work histories, in addition to the risk factors associated with rough sleeping (such as a history of life in care) commonly combined with tri-morbidity (co-occurring health conditions).

- **Outcome 5: Improved health** - At the time of writing, the data for this outcome was awaited from the Department of Health in April 2014. For both providers, the achievement of the health outcome is contingent upon the success in meeting the other outcomes. Nonetheless, St Mungo's work with a specialist partner to support this work.

5 Client perspectives

Each stage of the evaluation will include fieldwork with clients and a subsample of those who participated in each stage will be contacted in the next, to build a longitudinal sample that explores pathways over time and long term outcomes. 25 clients were interviewed in the first stage. The examples of support that they provided mirror that described by the Navigators themselves. Their experiences and perceptions also confirm the rationale of the SIB intervention model in terms of the need for a flexible, personalised and long-term approach that coordinates provision.

Clients identify with their Navigator as their key worker and with their provider organisation, with limited awareness of the name of the intervention or the SIB. But they are aware of the intervention being something new and different to the support that is provided elsewhere.

Clients highlighted the persistence of their Navigator in securing suitable accommodation and the wide range of support they received to help them sustain it and to make it their home. They also reported receiving support from other organisations that was identified, brokered and coordinated by their Navigator. Navigators advocate for their clients and provide a constant source of advice and support. The relational aspect is central to effective key worker support. For clients who were not British nationals, having a Navigator who spoke their language and understood their culture was important.

6 Conclusions and recommendations

Key findings

It was important that the SIB was developed through consultation with a wide range of stakeholders. A thorough design process was necessary, but there were limits to the evidence base and informed judgements were the basis for commissioners, providers and investors in reaching final decisions.

Social investors are motivated by the potential for both social outcomes and the returns that their investment can achieve. A higher assessment of risk brings a higher cost and investors make individual judgments.

The development of the SIB required a high level of investment from all stakeholders - DCLG in developing the model; GLA in developing and undertaking a new commissioning

structure; providers in developing a tender for a PbR contract (including within the commissioning structure); providers and investors in negotiating and agreeing investment.

The development of the SIB fits with best practice criteria that have been proposed for SIB products. Although there was a single procurement process, there are two very different structures, demonstrating the diversity of SIB models.

The providers' models bring together different elements of best and effective practice; with the innovation lying in how these elements are brought together in a single role that supports a client along the entire pathway from the street/point of first contact and blends direct support with wider provision brokered and coordinated to sustain long term outcomes.

Performance in year one of the programme, against the five outcomes and in the context of the targets set at the outset, has been variable. Providers experienced a range of challenges, nevertheless many positive aspects of the navigator model were cited. The achievement of client outcomes over the implementation period will be the focus of subsequent strands of the evaluation.

Clients who participated in the evaluation research see the SIB interventions in contrast to previous and other support. They identify with their key worker as someone providing a wide range of long term support, coordinating services and advocating on their behalf.

Key learning

From the development of the SIB

The development of outcome measures, metrics and the evidential requirements requires a complex interplay of evidence, modelling and judgement. There is a cost associated with this process that is necessary for developing a product for the investment market, particularly in the absence of an evidence base for an intervention to allow for modelling the associated outcomes and metrics. Given the desire for innovative practice, such a context is likely to be common for SIBs. 'Sense checking' through market engagement with different stakeholders can address evidential limits.

Providers see PbR as an emerging trend in service commissioning and, although they have some reservations about what this might mean for them and the wider VCS, they recognise the strategic importance of experience in both designing PbR and delivering PbR contracts and welcome the opportunity for flexibility in service delivery that is outcomes rather than delivery focused.

PbR contracts are new for commissioners. A competitive dialogue process offers a structure for engagement with credible providers, helps build commissioner confidence in the viability of proposed delivery models, and for amending contract requirements within an open-tender procurement process. When commissioned, PbR contracts place a high level of administrative burden on commissioners. The new role of outcomes monitoring rather than delivery scrutiny can present a challenge.

There is concern amongst providers and some investors that SIB investment models result in 'leakage' of funding away from provision. Balancing this with the requirement to account for risk through investment returns requires negotiation and agreement. Neither providers

nor social investors are homogenous groups with shared priorities and concerns. There is not a consensus about an appropriate level of investment cost. Nonetheless, there is a high level of strategic interest in: the potential of SIBs for securing new investment; and, in learning about PbR as a structure for outcomes-based commissioning. The strategic interest in the SIB provides a driver for investment in learning.

From the delivery of the SIB

Delivery to date suggests that a Navigator model is an effective key work approach to supporting entrenched rough sleepers towards long-term outcomes. Skilled, motivated staff are required. There is a wide variation in the characteristics and support needs of the cohort and no typical client. An informal approach to assessment provides the basis for an effective Navigator approach.

Securing and sustaining stable, appropriate accommodation provides the basis for pathways to long term, transformational outcomes. Partnership working is a central element of effective Navigator interventions. As with all partnerships, effective practice requires a dedicated focus to build understanding and clarity about roles and responsibilities.

A PbR structure to an intervention for entrenched rough sleepers enables a flexible, outcomes focused approach not restricted to a set model of delivery. Evidence to date suggests that the balance in the SIB PbR does not create perverse incentives to achieve inappropriate outcomes, although this will only be confirmed as delivery builds in the second and third years. Outcomes that are currently behind target will need to be achieved for contract value and investment returns to be realised.

Recommendations

For Social Impact Bonds

- Commissioning should consider the ways in which investors can be engaged in the development of SIB structures so that investment risks can be identified and addressed; or, allow sufficient time for due diligence and investors' decision making processes to be followed.
- Whilst SIBs remain new, specialist support is required to build capacity and facilitate investments. Although an intermediary body may not be necessary, financial modelling tools, contract and other templates are all important.
- An intermediary body and SPV are not always necessary. SIB commissioning should be open to different investment structures, as this facilitates the involvement of a wide range of social investors and different ways of accounting for and addressing risk.
- 'Competitive dialogue' offers an appropriate process for commissioning a SIB. Consideration should be given to awarding contracts prior to investment being brokered.

For Payment by results

- The design of a PbR model depends upon high quality data, which is not always available. To account for this, research should be accompanied by meaningful stakeholder consultation.
- PbR brings new roles for commissioners and a heavy administrative burden. Commissioners should ensure sufficient capacity for monitoring and provide governance responsive to learning.

For delivery of the London homelessness SIB

- Effective partnership working is essential and should remain a focus of the SIB providers as they seek to achieve sustained outcomes and address areas of under-performance.
- If any Navigator leaves their post, their clients' transition should be carefully managed.
- The Project Board should keep the evidential requirements of the SIB under review whilst maintaining the integrity of each outcome.

1 Introduction

The London Homelessness Social Impact Bond (SIB) is an innovative programme to support entrenched rough sleepers, launched in November 2012. The London Homelessness SIB ('the SIB') was designed to bring new finance and new ways of working to improve the outcomes for a cohort of rough sleepers who needs were not being met by existing services and who were not being targeted by other interventions.

In July 2013, ICF GHK¹⁴ (ICF) was commissioned by the Department for Communities and Local Government (DCLG) to undertake a qualitative process evaluation of the SIB. The evaluation team is working with sector research experts Crunch Consulting and the Centre for Housing Policy (University of York) and social finance expert Dr Nick Henry (ICF Associate, Coventry University). This is the first interim report from the qualitative evaluation. An economic impact evaluation is being undertaken internally at DCLG. A final report in 2016 will draw analysis from the two strands together.

1.1 The London homelessness social impact bond

1.1.1 Background

The SIB targets a named, fixed cohort of 831 entrenched rough sleepers in London with a personalised, flexible approach delivered by keyworkers that aims to support them to access existing provision and achieve sustained long-term positive outcomes. This includes reconnection for non-UK nationals to their home country where this is the most appropriate outcome for them (assisted voluntary repatriation, administrative removal or deportation).

There are two organisations (St Mungo's and Thames Reach) each contracted to deliver the SIB intervention to a matched half of the cohort. The cohort was finalised the day before the contract start date (1st November 2012). The cohort is rough sleepers who on 31st October 2012 had been:

- Seen sleeping rough in the last three months and/or have stayed in a London rough sleeping hostel in the last 3 months; and,
- Seen rough sleeping at least 6 times over the last 2 years.

DCLG and the Greater London Authority (GLA) began to explore the potential for a SIB in bringing new finance to address the issue of rough sleeping in London in 2011. GLA are responsible for pan-London coordination of provision to address homelessness and are commissioners of a range of key interventions. DCLG devolve funding for homelessness in London to the GLA. Analysis of the CHAIN¹⁵ 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

¹⁴ In March 2012 ICF International acquired GHK Consulting. ICF GHK was the brand until May 2014 when it became ICF.

¹⁵ 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>).

contacts with rough sleepers in London on behalf of the GLA. The key special initiatives across London targeting different groups of rough sleepers at the time of the SIB design, and that would be in operation during the SIB, were:

- RS205 – a programme starting in May 2009 that focuses on a cohort of 205 long-term entrenched rough sleepers with more complex needs;
- RS45 – a programme of more tailored responses to the 45 members of the RS205 group still sleeping rough one year on.
- No Second Night Out – launched as a pilot in London in April 2011, and now a national approach, this programme aims to ensure that new rough sleepers do not spend a second night on the streets by providing a 24 hour assessment and reconnection service.

The SIB was designed, through consultation with a range of stakeholders in homelessness and rough sleeping. This began informally and was then undertaken formally as part of detailed work commissioned from social investment product experts Social Finance. This development work explored the feasibility of a payment by results (PbR) approach that accessed social investment to incentivise a long-term approach to new outcomes for the cohort.

PbR aims to change the incentives facing 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 sector contracting. 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, promoting service innovation. Demonstrating this requires a baseline of expected performance or a comparison group exploring what happens without the intervention.

Social investors are motivated both by the returns they can make and by the social impact their investments can achieve. To make the investment, they must have confidence that the outcomes can be achieved through the innovation but be prepared to accept a level of risk that they will not be and thus the investment will be lost. The public sector rewards this risk when the outcomes are achieved instead of placing public funding at risk or placing the risk with the providers delivering the interventions. In this way, SIBs aim to bring new forms of finance into public sector services delivered by (primarily) voluntary and community sector (VCS) providers with the expertise to design innovative approaches.

The funding for the SIB is provided by DCLG to GLA, who commissioned and manage the SIB contracts.

1.1.2 PbR structure

Following a detailed design process and a two stage procurement process (explored in section 4) the contracts to deliver the SIB were awarded to St Mungo's and Thames Reach. Both are long-standing providers of homelessness and rough sleeping services in London. Rough sleeping in London is concentrated primarily in Westminster with lower numbers in the surrounding Boroughs. The cohort targeted by the SIB is split between two

providers according to a range of support needs identified in CHAIN and according to the Borough where each individual was last seen at the time of definition. Given its centrality as a location for rough sleeping (529 of the cohort of 831), the Borough of Westminster was allocated as a shared target area. An even split was achieved and the target Boroughs (beyond Westminster) for each contract are:

- St Mungo's Street Impact targets: *East and South East ("ESE"): City of London, Croydon, Redbridge, Tower Hamlets, Hackney, Southwark, Lambeth, Lewisham, Greenwich and Newham.*
- Thames Reach's Ace targets: *West and North West ("WNW"): Kensington & Chelsea, Hammersmith & Fulham, Wandsworth, Camden, Islington, Barnet, Ealing, Heathrow, Hounslow, Hillingdon, Brent, Harrow and Richmond*

The PbR structure pays providers for the achievement of a set of interrelated, defined outcomes. For each, there are clear evidential requirements. The structure is presented in Table 1.1 below.

Table 1.1 The PbR structure

Goal	Metric	Payment Mechanism
Reduced rough sleeping	Reduction in the number of individuals recorded in CHAIN as seen rough sleeping each quarter	Outcome payments according to progress beyond baseline of expected reduction. Paid in arrears each quarter. Paid according to baseline.
Sustained stable accommodation	Confirmed non-hostel tenancy sustained for 12 and 18 months. No more than two rough sleeping incidents recorded in CHAIN in the first 12 months and no more than one between 12 and 18 months.	Payment on written confirmation of entry to accommodation. Payment after 12 months. Payment after 18 months. Paid by individual outcome.
Sustained reconnection	Confirmed reconnection outside of the UK with no rough sleeping incidents recorded in CHAIN in the following 6 months.	Payment on confirmed reconnection (range of evidence accepted). Payment after 6 months. Paid by individual outcome.
Employability and employment	NQF Level 2 or equivalent	Payment for completion when commencement is after contract start date.

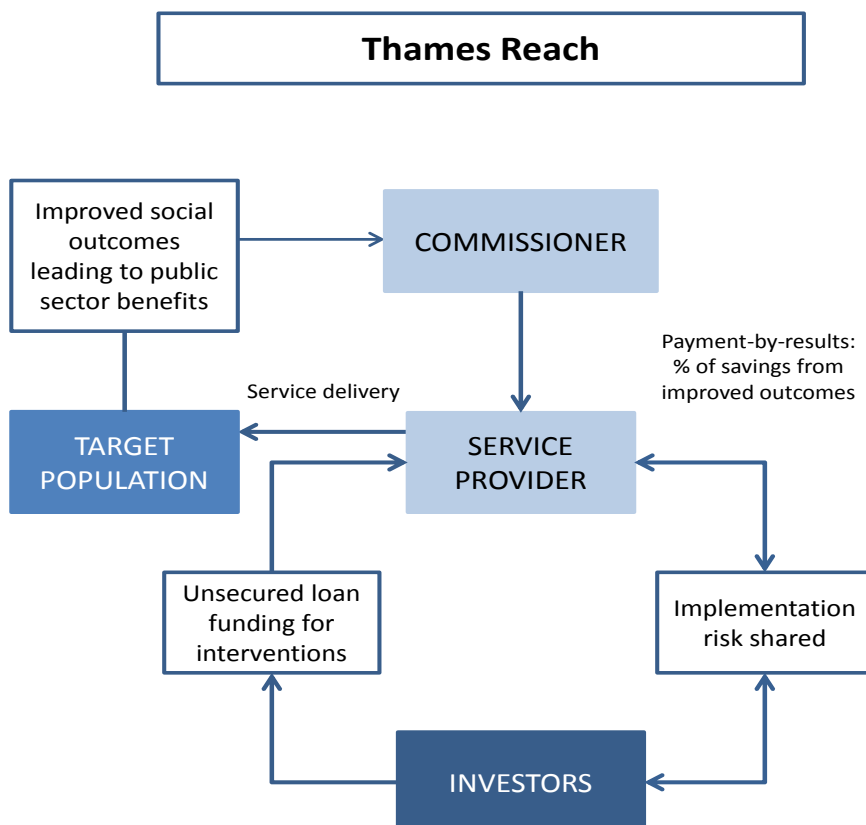
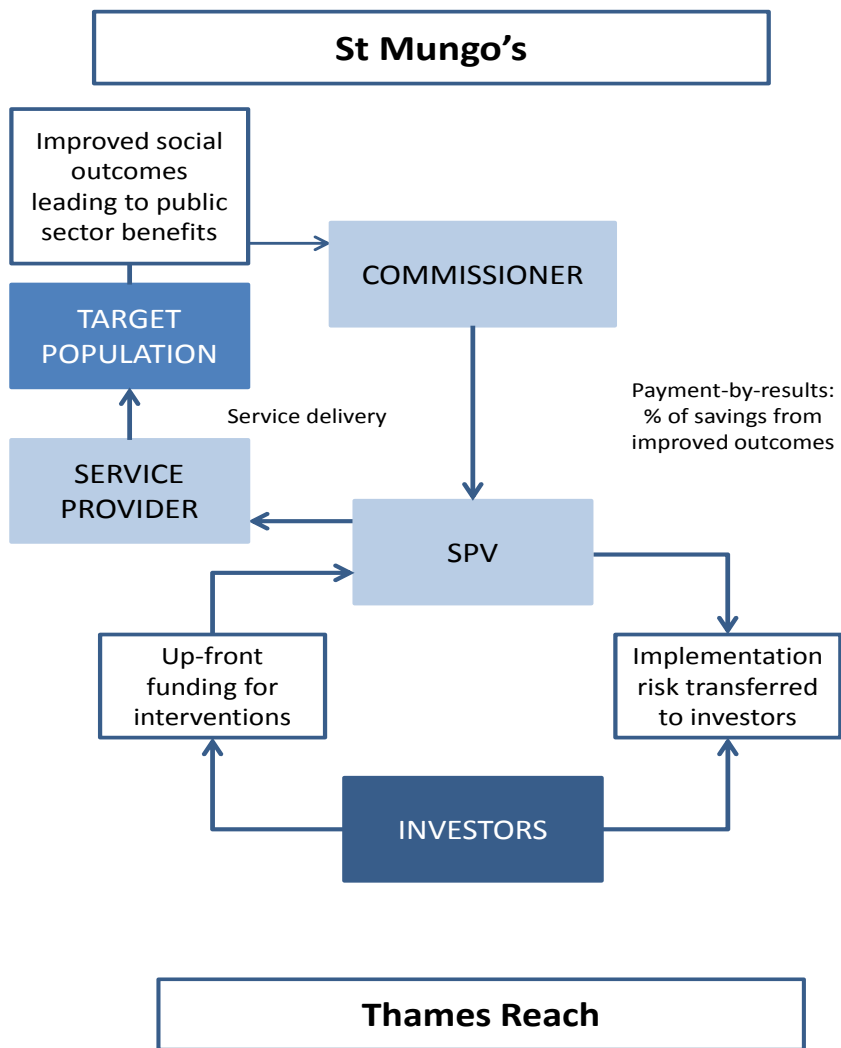
Goal	Metric	Payment Mechanism
	Sustained volunteering or self-employment 16+ hours per week.	First payment when sustained for 13 weeks.
	Sustained employment 8-16 hours per week.	Second payment when sustained for 26 weeks.
	Sustained employment 16+ hours per week.	Paid by individual achievement.
Better managed health	Reduction in average number of Accident and Emergency episodes per head per year.	Annual payments for reduction in average A&E episodes per head against baseline at start of contract.
		Paid according to baseline.

Source: GLA

1.1.3 Finance structure

The two providers each have a different structure to finance their SIB contract. These are presented in Figure 1.1 below. St Mungo's has established a Special Purpose Vehicle (SPV), which manages the contract and holds the social investment that pays for the delivery of the contract and repays investors as outcome payments are received. If the intervention fails to achieve outcome payments, the SPV will fail as this holds the risk (a full discussion of SIB models is provided in section 3 and of the London Homelessness SIB models in section 4). Thames Reach has funded their intervention through social investors' unsecured loans and in this model the risk is shared.

Figure 1.1 The two providers' social investment structures



1.2 The evaluation

The qualitative process evaluation will take place alongside a quantitative impact and economic evaluation being undertaken internally by DCLG. Overall the two components of the evaluation seek to address the following questions:

1. Has the intervention succeeded in addressing entrenched rough sleeping amongst its target cohort?
2. Has the intervention made a cost-effective impact on outcomes for rough sleepers resulting in overall cost-savings for the Exchequer?
3. What are the advantages/disadvantages of delivering this intervention via a SIB compared to other ways of providing similar services?
4. Are there any unintended consequences for the SIB-targeted rough sleepers and/or knock-on effects for other rough sleepers resulting from the targeting services at specific groups of rough sleepers and the incentivisation of service provision?

While the qualitative process evaluation will contribute to each of the four questions above, it will focus on questions 3 and 4. The qualitative and impact strands will be brought together in a synthesis evaluation in 2016.

1.2.1 Aim and objectives

The aim of the qualitative process evaluation is:

- To provide an in-depth understanding of the merits of different aspects of the intervention design, including the role and impact of the social investment dimension and of incentivisation through a payment by results system.

There are four associated objectives, to:

- Draw out **lessons from the design and implementation** of the London Homelessness SIB project to inform future SIB-based interventions in England;
- Understand the **role and impact of social investment on the two provider organisations** and the way that they develop and deliver services for the target group;
- Identify and explore **any impact that the payment by results system has on the target cohort, other rough sleepers in London not targeted by the SIB, and on the wider landscape of service provision** in London in terms of both incentivised outcomes and the impact of the SIB on the patterns of working relationships across the sector; and,
- Contribute to the overall evaluation **by identifying and understanding the factors relating both to the design of the intervention and other external factors** that may have contributed to its success or otherwise.

The qualitative process evaluation involves three stages:

- An initial baseline analysis – reported here;

- Mid-point data collection and analysis – to be undertaken in summer 2014 and building from the baseline understanding to explore change and continuity in delivery models, cohort outcomes and experiences and partner and stakeholder perspectives;
- Final data collection and analysis – with data collection in autumn 2015 reported in late 2015 or early 2016 and drawing on the impact strand where feasible. (A synthesis of the qualitative and impact evaluations will be produced in 2016.)

Each stage of the process evaluation involves qualitative data collection with a wide range of stakeholders, provider staff and members of the cohort of entrenched rough sleepers in receipt of support.

This report is the first, baseline output from the qualitative process evaluation and explores the:

- Process of the design and implementation of the SIB;
- Role and impact of social investment to date;
- Delivery and performance to date;
- The views of stakeholders;
- Experiences of the cohort; and,
- Learning to date from all aspects of the SIB development and delivery.

1.2.2 Data collection and analysis

The evaluation has involved a detailed review of a range of documents and data relating to the development and early delivery of the SIB; and, qualitative research with a range of stakeholder groups. The qualitative data collection activity is presented in Table 1.2.

Table 1.2 Data collection for this report

Group	Stakeholders	Number of interviews
Commissioners and Strategic Stakeholders	Cabinet Office, DCLG, GLA, ¹⁶ Social Finance.	7
London Boroughs	City of London, Lambeth, Tower Hamlets, Westminster. ¹⁷	4
Providers	Senior management, Trustees, project management, delivery staff.	17
Social Investors and Intermediaries	Big Issue Invest, Bridges Ventures, Charities Aid Foundation	7

¹⁶ Some commissioners from GLA have since moved to other organisations but were interviewed in relation to their role whilst at GLA

¹⁷ Other Boroughs will be included in later phases of the evaluation

Group	Stakeholders	Number of interviews
	Venturesome, City Bridge Trust, Social Enterprise Investment Fund (SEIF), Triodos, Orp Foundation.	
Provider and partner landscape	Provider organisations in London including providers who tendered or considered tendering for the SIB contract.	13
Members of the cohort	Individuals in the cohort being supported by each provider, at different stages of recovery pathways (target 15 with each).	25
Total		73

1.2.3 The structure of this report

The remainder of this report is structured by the following sections:

- Section 2: Context for the London Homelessness SIB – summarises the issues associated with homelessness in London and the landscape of provision that the SIB works with and alongside;
- Section 3: Social Impact Bonds – provides an overview of SIBs and PbR structures, including success factors and critiques;
- Section 4: The development of the London Homelessness SIB – explores the process of development of the SIB from initial exploratory discussions to commissioning the two providers, including the negotiation and agreement with social investors;
- Section 5: The two provider models – sets out the features of each model, delivery to date and the views of partners and wider stakeholders;
- Section 6: The experiences of the cohort – including an outline of how this work was undertaken; and,
- Section 7: Conclusions and recommendations – learning and recommendations from the SIB to date.

2 The context for the London homelessness SIB

This section provides a brief outline of the context for the London Homelessness SIB ('the SIB'). The following section (3) discusses the background to Social Impact Bonds and Payment by Results approaches. This section explores:

- The problem of entrenched rough sleeping in London;
- Some characteristics of the cohort targeted by the SIB;
- The network of service provision in London; and,
- The key features of effective provision for entrenched rough sleepers.

2.1 The problem of entrenched rough sleeping in London

The CHAIN database indicates that there were 6,437 rough sleepers in London 2012/13 (latest figures available), a rise from 5,768 the previous year.¹⁸ Detailed analysis of CHAIN data for the planning and development of the SIB¹⁹ identified that within this: a cohort of approximately 17% are entrenched rough sleepers; who account for 44% of 'bedded down rough sleeping contacts' – the contacts that services have with rough sleepers on the streets.

Rough sleepers are amongst the most vulnerable people in society. The issues faced by the 2011/12 cohort of 650 were explored in depth by the Young Foundation and Social Finance (2012) in research and analysis to support the design of the SIB:²⁰

- They are likely to have complex, interrelated needs linked to drug (39%) and alcohol (53%) use;
- There is a high level of mental health problems (38%);
- They are more likely to die young and 35 times more likely to commit suicide than the general population; and,
- A very significant proportion are non-UK nationals (51%).

The total cost of this defined cohort of rough-sleepers to the public purse in London was estimated to be £20,000 a year per person (excluding additional costs related to drug and alcohol abuse treatment and long-term imprisonment).

¹⁸ CHAIN (2013) *Street to Home Bulletin 2012/13*, Broadway:

<http://www.broadwaylondon.org/CHAIN/Reports/AnnualBoroughReports.html>

¹⁹ The Young Foundation (2011) *Designing an Intervention for a Rough Sleeping Social Impact Bond: Final Report*; Social Finance & The Young Foundation (2012) *A Social Impact Bond for Entrenched Rough Sleepers: Outline Business Case* – discussed in more detail in section 3.

²⁰ *ibid*

2.2 The cohort targeted by the SIB

The cohort is rough sleepers who on 31st October 2012 had been:

- Seen sleeping rough in the last three months and/or have stayed in a London rough sleeping hostel in the last 3 months; and,
- Seen rough sleeping at least 6 times over the last 2 years.

This provides a cohort of 831 named individuals (an increase from 2011/12). Detailed analysis of the cohort will be undertaken by GLA during 2014, as more data is collected about them through the delivery of the SIB interventions. Data about the cohort held in CHAIN at the time it was defined shows that:

- 63% (529) were in Westminster;
- 49% (408) were non-UK nationals (of which 218 (53%) were from Central and Eastern Europe (26% of cohort));
- 48% (397) had a recorded alcohol support need (of which 163 (41%) have recorded 'high' need (20% of cohort));
- 29% (243) had a recorded substance misuse support need (of which 78 (32%) have a recorded 'high' need (9% of cohort)); and,
- 44% (363) had a recorded mental health support need (of which 63 (17%) have a recorded 'high' need (8% of cohort)).²¹

2.3 The network of provision for rough sleepers in London

The Mayor's *Rough Sleeping Commissioning Framework 2011-2015*²² is the strategy for pan-London commissioning of provision to reduce rough sleeping in London. This commissioning was devolved to GLA in 2011, with £33.8m funding provided for 2011-2015. Most central government funding to tackle homelessness and rough sleeping is provided to boroughs directly and they commission relevant services at a borough level. The *Framework* sets out the role of the Mayor and GLA in using devolved funding to complement and supplement the work of the London boroughs by commissioning services that are pan-London or enable greater coordination between boroughs and relevant partners.

Mayor's Rough Sleeping Commissioning Framework 2011-2015 Priorities

Over-arching priorities:

- Stemming the flow of new rough sleepers and ensuring that no one

²¹ 'Cohort Split' analysis, *Social Finance* November 2012

²² Mayor of London October 2012,

http://www.london.gov.uk/sites/default/files/2012.10.17%20Mayor's%20Rough%20Sleeping%20Commissioning%20Framework_0.pdf

spends a second night on the street;

- Helping entrenched rough sleepers off the streets;
- Preventing a return to the streets (measure: ensure that no rough sleeper supported off the streets returns to rough sleeping).

Cross-cutting priorities:

- Meeting the physical and mental health needs of rough sleepers;
- Improving partnership working around enforcement;
- Tackling rough sleeping by non-UK nationals;
- Tackling hidden or mobile rough sleeping;
- Ensuring the availability of emergency accommodation;
- Sustaining rough sleepers in a life away from the streets;
- Enhancing the service offer from faith and community based organisations.

The strategic approach is supported by *The Mayor's Rough Sleeping Group*, which is made up of DCLG, seven boroughs (Westminster, City of London, Camden, Ealing, Tower Hamlets, Southwark and Lambeth), the voluntary sector, the Metropolitan Police and MOPAC. It meets quarterly.²³

This strategic approach reflects both that: rough sleeping is a pan-London problem requiring borough and sector coordination; and, rough sleepers' complex and multiple needs are difficult to meet with provision restricted to a borough level. Rough sleepers are highly mobile and may therefore come into contact with services in a number of boroughs.

2.3.1 Services and initiatives

The SIB sits alongside a wide range of other services and initiatives for rough sleepers and homeless people in London. The Mayor's *Framework* outlined 17 different commissioned and grant funded services (some of which have now come to an end).

²³ This Rough Sleeping Group replaced the earlier London Delivery Board, disbanded in March 2013 and made up of a wide range of 23 organisations. Established in Feb 2009, it was a strategic partnership set up to take responsibility for tackling rough sleeping on a pan-London basis and to deliver the objectives of the government's national Rough Sleeping Strategy. The London Delivery Board was charged with fulfilling the Mayor of London's Revised Housing Strategy (December, 2011) aim that rough sleeping should be ended in London by 2012.

Key services operating over the period of the SIB

- **CHAIN (Combined Homeless and Information Network):** the database to help workers share information on the rough sleepers, which provides for the monitoring of trends in rough sleeping.
- **Clearing House:** lettings service for long-term tenancy (two years in the first instance) properties provided under the Rough Sleepers Initiative.
- **London Reconnections Team:** helps vulnerable rough sleepers from the European Union to return to and access services in their home countries.
- **London Street Rescue:** works with current rough sleepers in London boroughs without dedicated outreach services.
- **Tenancy Sustainment Teams (North and South):** support to former rough sleepers living in Rough Sleepers Initiative properties.
- **Housing First pilot project:** helps entrenched rough sleepers with multiple support needs to access and sustain long-term, self-contained accommodation.
- **Rolling shelter(s):** 60 to 70 free at the point of entry shelter beds for rough sleepers accessed across all 33 of London's boroughs.
- There is a **personalisation** pilot in the City of London, which has recently received grant funding for a **pan-London pilot** expansion.

The two SIB interventions are intended to support the cohort to access the services that are appropriate to them, across personalised recovery pathways and into sustained long term outcomes. The SIB is specifically designed to address the needs of a cohort that are not supported by two key programmes, which were outlined in section 1 (Introduction): **No Second Night Out**, and, **RS205**.

In addition to special initiatives, there is a wide range of provision delivered and commissioned in London Boroughs. The *London Housing Federation Atlas of Services for Homeless People in London* (2012) shows that at the time of publication there were 151 homelessness providers operating in the 33 London boroughs.²⁴ The different elements of provision are set out in Table 2.1.²⁵

²⁴ London Housing Federation (2012), *Atlas of Services for Homeless People in London*.
http://www.lhf.org.uk/sites/all/themes/lhf/pdf/atlas_2012.pdf (latest version available at time of writing).

²⁵ Ibid.

Table 2.1 Services and providers in London (2012)

Service	Number of different dedicated services	Number of different providers
Outreach	19	11
Day centres	35	33
First stage beds	1,907	18
Second stage beds	8,418	79
Specialist hostel beds	1,687	30
Floating support	5,551	24
Employment, training and education	36	34
Health care	25	21
Ex-offender	8	8
Drug & alcohol	9	9
Advice service	23	20

Source: London Housing Federation Atlas of Services for Homeless People in London (2012)

These services tend to operate on a localised basis. A total of 81 providers operate in only one borough, 33 in just two boroughs, but eight providers operate in more than ten London boroughs. Local authorities are the primary funding source for over 70 per cent of homelessness services, and 84 per cent of services receive at least some funding from the local authority.²⁶ The content of the 'Atlas' illustrates the variety of those providing services, including faith-based and small to large voluntary and community sector organisations. In addition London Councils, the body established by the 32 London boroughs to support a strategic approach to issues in the capital, provides grants for pan-London homelessness services. For 2013/2014, £2.8million (of a total £9.4million) will be shared between eight initiatives to tackle homelessness.²⁷

2.4 Effective provision for entrenched rough sleepers

Entrenched rough sleepers are often well-known to a range of services beyond street outreach teams, such as day centres, hostels and hospitals, and may cyclically access these services. However, many of these individuals face multiple exclusion from services, either as a result of complex support needs or because of challenging or anti-social behaviour. An additional barrier to accessing accommodation and services for this group is that they may have undiagnosed mental health problems.²⁸

²⁶ Homeless Link (2013), *Who is Supporting People Now? Experiences of Local Authority Commissioning after Supporting People*.

²⁷ <http://www.londoncouncils.gov.uk/services/grants/news/pressdetail.htm?pk=1580> accessed 19.03.2014

²⁸ Homeless Link (2013), *Working with Entrenched Rough Sleepers* (Rough Sleeping Portal) [online]. Available at: <http://homeless.org.uk/specialist-interventions#.UcME8ZxFqrB>; Theresa McDonagh and

A review of practice evidence and sector consultation undertaken to inform the development of the SIB²⁹ identified that an effective intervention must:

- Be responsive to the diversity of the cohort and tailored to complex and specific needs, supporting access to and through specialist and more universal provision;
- Address the overlap between rough sleeping and other social problems and support needs, such as substance misuse, street culture activities – primarily drinking and begging – and institutional care: rough sleeping is both a symptom of – and an underlying cause of – the problems facing members of the cohort;
- Provide personalised, holistic approaches that promote pan-London cooperation between different local authorities and other providers including statutory agencies (such as the police and UKBA) and landlords;
- Provide support and guidance for clients in navigating their way through bureaucratic processes, particularly in accessing Housing Benefit;
- Sensitively and appropriately address the challenge of cohort members being ineligible for public funds and not having the right to remain in the UK and thus support reconnection, administrative removal or deportation;
- Provide tailored accommodation pathways and personalised support to sustain accommodation according to individual need including the use of personalised budgets;
- Find new, effective solutions for clients for whom rough sleeping services have not met needs;
- Support the development of new, positive social networks that contribute to the higher chance of sustained long-term change; and,
- Be based upon an assertive outreach approach that provides long-term key worker support beyond initial contact and support.

The review concluded that a 'Navigator' approach is an effective approach to delivering this personalised, flexible model. How this review informed the development of the SIB (section 4) and the delivery models of the two providers (section 5) is returned to in later sections.

2.5 Summary

This section has presented an overview of the context for the development of the SIB. It has shown how:

Multiple Exclusion Homelessness Research Programme (2011) *Tackling homelessness and exclusion: Understanding complex lives*, JRF York; Lígia Teixeira (2010) *Still left out? The rough sleepers '205' initiative one year on*, Crisis; Centre for Economic and Social Exclusion (2005) *A Literature review on access to mainstream public services for homeless people*, Crisis

²⁹ Young Foundation (2011), *Designing an Intervention for a Rough Sleeping Social Impact Bond*, Young Foundation

- There is a persistent rough sleeping problem in London, centring on the central borough of Westminster but an issue across the central London boroughs and reflecting rough sleepers as a mobile group;
- Rough sleepers are one of the most vulnerable groups in society with high levels of complex and interrelated needs, borne out by data available for the cohort targeted by the SIB;
- There is a wide range of provision for rough sleepers in London, with both boroughs and the GLA responsible for commissioning services. Analysis of CHAIN data shows that there is a cohort who are not targeted by key pan-London initiatives; and,
- A review of evidence and sector consultations has identified a keyworker – ‘Navigator’ – model as a providing the flexible model of personalised support necessary for an effective approach to delivering improved outcomes for the target cohort of entrenched rough sleepers.

Section 3 provides an overview of the background to SIBs and PbR in public services. Section 4 explores how the SIB was developed to reflect the cohort and the proposed Navigator model across existing provision. Section 5 explores how the interventions are being delivered.

3 Social impact bonds (SIBs)

This section provides an overview of Social Impact Bonds (SIBs). The background to SIBs as a mechanism for bringing new finance to public services and promoting innovation through an outcomes-based approach is explored. Learning about key success factors as well as emerging critiques are discussed, providing important background for the evaluation of the London Homelessness SIB.

3.1 Background

SIBs are one product within the growing social investment market. Social investment provides funding to social ventures to expand their goods and services, take up new opportunities and achieve scale in order to achieve greater social impacts. Social investment includes:

- Debt finance – usually in the form of secured and unsecured loans as well as overdrafts;
- Secured loans – take security over a property or asset;
- Unsecured loans – usually have a higher interest rate than a secured loan;
- Equity investment – usually in the form of shares issued in exchange for capital, provided by an investor who believes the organisation will grow and provide a dividend return;
- Quasi-equity investment – similar to an equity investment but without the issuing of shares, the investor receives a royalty payment as a fixed percentage of income;
- Social Impact Bond – investment in an outcomes-based contract (see box below).³⁰

The Cabinet Office defines a SIB as: *'a funding structure for payment by results (PbR) contracts, which enable socially motivated investors to provide the upfront financing to service providers for the interventions that target a social outcome. The commissioner agrees to make PbR payments based on the social outcomes achieved. In this way, social investors place their funding at risk – if the provider does not deliver the outcomes, commissioners may not pay anything and the investment is not returned; if the outcomes are achieved, investors will receive a return on their investment.'*³¹

The move towards SIBs (and more broadly PbR contracts) can be located within a range of policy factors. These include deepening public sector spending cuts and reduced budgets across national and local government, with an associated focus on promoting greater efficiency in public services. The *Open Public Services White Paper*, presented to

³⁰ ICF GHK and BMG Research (2013) *Growing the Social Investment Market: The Landscape and Economic Impact*, London: City of London, Big Lottery Fund, Big Society Capital and Her Majesty's government. Available at <http://www.cityoflondon.gov.uk/business/economic-research-and-information/research-publications/Documents/research-2013/Growing-social-investment-market.pdf>

³¹ Cabinet Office Centre for Social Impact Bonds. 2013. 'Glossary of terms'. Available at: <http://blogs.cabinetoffice.gov.uk/socialimpactbonds/2012/09/b1/>

Parliament in 2011, laid out a comprehensive policy framework to promote a fundamental shift in public services. It outlined a significant drive towards PbR, arguing that the principles of open public services would switch the default from one where the state provides the service itself to one where the state commissions the service from a range of diverse providers.³² The White Paper identified SIBs as an innovative opportunity to access new forms of external finance for the delivery of services. As the latest stage of a move away from conventional delivery of services, SIBs were seen to allow government to effectively transfer financial risk and incentivise delivery of innovative services.³³

Social Impact Bonds?

The investment risk of a Social Impact Bond varies with that of a traditional bond. A traditional bond offers a fixed return to investors over a fixed time period. Although a Social Impact Bond similarly operates over a fixed time period, the financial returns investors receive varies according to the success of achieving social outcomes. In terms of investment risk, this is more similar to equity or quasi-equity investments rather than bonds³⁴.

*NOTE: Equity investments are ownership interests – the investor takes ownership of stock – and quasi-equity aim to reflect some characteristics of equity and loan (debt) financing. Quasi-equity finance is used in situations where debt financing is inappropriate or too onerous for charities/ social enterprises while the use of equity financing is simply not possible because of legal structuring. Quasi-equity shares the risk and reward of the investment between investor and investee by allowing the investor to take a share of future revenue streams. Unlike a loan, this investment is truly ‘at risk’.*³⁵

3.2 History of SIBs and current context of the SIB market

The first UK SIB was introduced in 2010 and has been followed by a small but steady expansion of the product both in the UK and overseas (see Figure 3.1).

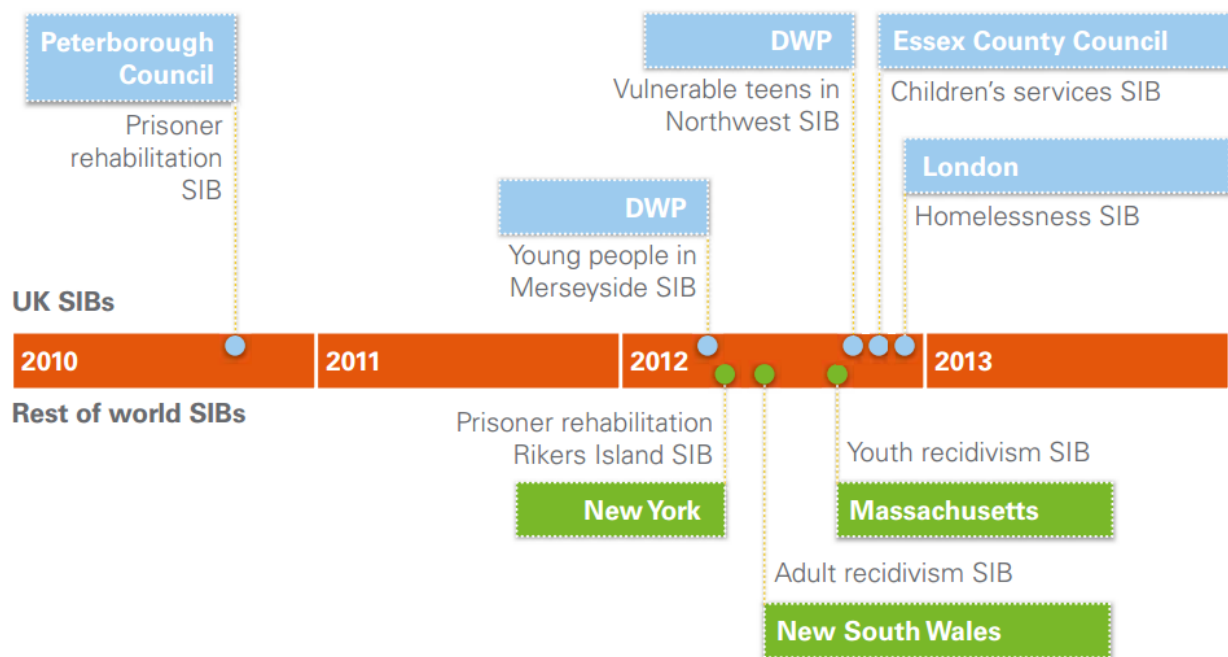
³² Open Public Services White Paper. 2011. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/255288/OpenPublicServices-WhitePaper.pdf

³³ McHugh, N., Sinclair, S., Roy, M., Huckfield, L. & Donaldson, C. 2013. ‘Social Impact bonds: a wolf in sheep’s clothing?’. *Journal of Poverty and Social Justice* 21(3), p247 – 257.

³⁴ Bolton, E. & Saville, L. 2010. ‘Towards a new social economy: blended value creation through social impact bonds.’ London: Social Finance.

³⁵ CAF Venturesome. 2008. ‘Quasi-Equity. Case study in using Revenue Participation Agreements’. Available at: <https://www.cafonline.org/pdf/VenturesomeQuasiEquityMarch2008.pdf>

Figure 3.1 A plotted history of SIBs



Source: KPMG. 2013. 'Social Impact Bonds: Planting for future growth.' NB this is a timeline of launches and not final commissioning

In early 2014, there are 15 SIBs in the UK; ten funded through the DWP innovation fund and a further five, including Peterborough, Essex, Manchester, the 'adoption SIB' and the homelessness SIB that is the subject of this evaluation.

Although the SIB market is still in its infancy, social investment is gaining momentum and political support and many investors are becoming increasingly interested in the SIB market. However, there are two main factors which continue to act as a barrier to current development in the market:

- The early adopters of SIBs (commissioners, investors and service delivery organisations) face disproportionate set-up costs as a template does not currently exist that can be applied. In this way early adopters of SIBs are subsidising future adopters. Until adaptable templates and proven track records emerge, the development of a SIB will be associated with higher costs.
- There exists a lack of investment readiness amongst the public services sector and commissioning organisations. A Big Lottery Fund survey identified very low levels of preparedness in relation to suitable financial skills, financial acumen, understanding of social investment and coordination.³⁶ Therefore, this gap must also be addressed.

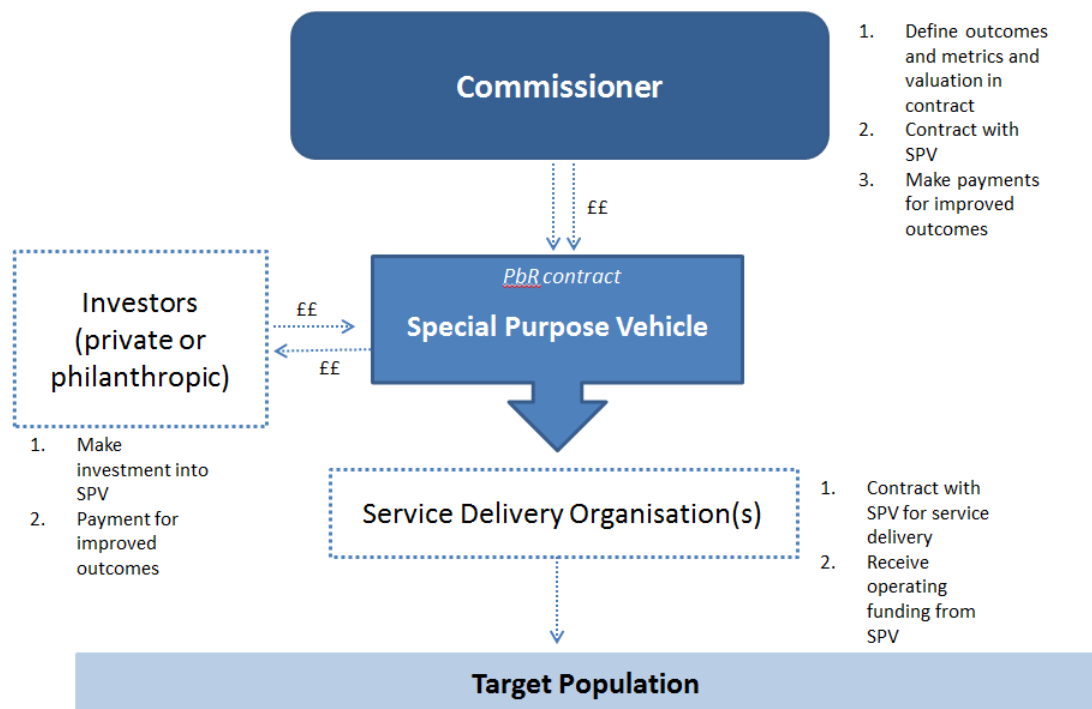
³⁶ Gregory, D., Hill, K., Joy, I. & Keen, S. 2012. 'Investment Readiness in the UK'. *Big Lottery Fund*.

3.3 Key features of the SIB model

SIBs are a form of PbR but extend beyond this by harnessing social investment via a multi-stakeholder arrangement between government, service providers and investors (usually facilitated by an intermediary organisation).³⁷ The principal innovation of a SIB, in conjunction with the PbR contract, is that the risk of non-performance is transferred to the private sector instead of the taxpayer (through commissioners) and service providers who are in most cases voluntary and community sector (VCS) organisations.³⁸

Although the SIB model varies significantly, Figure 3.2 outlines a typical structure. This usually involves an investor-owned Special Purpose Vehicle (SPV)³⁹ which takes on the PbR contract and sub-contracts to the service provider(s). Social investors include private funders, foundations, trusts, social banks or philanthropic investors and provide the financing required for the Service Delivery Organisation's set up and delivery costs via the SPV. The SPV usually hosts a Performance Director or Board responsible for monitoring the performance of the Service Delivery Organisation(s).⁴⁰

Figure 3.2 A standard SIB model



Source: ICF analysis.

³⁷ McHugh, N., Sinclair, S., Roy, M., Huckfield, L. & Donaldson, C. 2013. 'Social Impact bonds: a wolf in sheep's clothing?'. *Journal of Poverty and Social Justice* 21(3), p247 – 257.

³⁸ Cox, B.R. 2011. 'Social Impact Bonds: Financing homelessness prevention programs with social impact bonds.' *Review of Banking & Financial Law*.

³⁹ A special purpose vehicle is an off-balance sheet vehicle comprised of a legal entity created by the sponsor or originator to fulfil a temporary objective of the sponsoring firm. SPVs can be viewed as a method of disaggregating the risks of an underlying exposure held by the SPV (in this instance, a provider contract) and reallocate them to investors willing to take on those risks. (PwC. 2011. 'Creating an understanding of Special Purpose Vehicles'.)

⁴⁰ Social Market Foundation. 2013. 'Risky Business'.

Identified good practice: The role of intermediaries

A key role not outlined in Figure 3.2 is the role of intermediaries. The typical role of an intermediary varies with each SIB but can be categorised by three distinct roles:⁴¹

1. **Advisory** – this generally involves advising commissioners about the structure of the SIB and the payment/ outcome metrics.
2. **Corporate finance functions** – this occurs after the commissioning stage and includes involvement with establishing the SPV and structuring ‘the deal’. This could include attracting investors, offering expertise around the financial products available to investors, due diligence and collecting data on service delivery organisations, providing support during the commissioning process in order to obtain the PbR contract as well as providing general financial expertise.
3. **Performance management** of the PbR contract – this role for intermediaries generally involves tracking the progress of the attainment of performance outcomes by the service delivery organisation and reporting back to investors.

A potential for conflict of interest exists between these three roles and as a result, an intermediary would not perform all of these roles for the same SIB.

As part of the evaluation of SIB implemented in HMP Peterborough, the stakeholders’ account of the development of the SIB indicate that the role of the intermediary in facilitation was paramount to the eventual implementation. The intermediary’s ability to engage and negotiate with different stakeholders was seen to be very important as was their perceived creditability with investors.

During the evaluation conducted by RAND Europe, the importance of the intermediary role and their required skillset were identified as a lesson for future SIBs. The range of skills they identified as necessary for successful intermediaries included technical skills in negotiating contracts, financial knowledge (particularly regarding relevant financial products) and ability to understand the policy context as well as softer relational skills.

Source: Disley, E., Rubin, J., Scraggs, E., Burrowes, N., Culley, D. 2011. ‘Lessons learned from the planning and early implementation of the Social Impact Bond at HMP Peterborough’. RAND Europe, Ministry of Justice.

3.4 Payment by results (PbR)

A key component of the SIB model is the PbR contract and the direct link between achievement of the outcome metrics and the payment of providers with linked financial return for investors. PbR contracts mark a shift towards paying providers for the *outcomes* they deliver in markets that have traditionally purchased *activities* measured by *outputs*.

⁴¹ ICF interviews with stakeholders.

PbR contracts have begun to be widely used (outside of SIBs) and, as mentioned above, are a cornerstone of the government's 'Open Public Services' agenda.⁴²

PbR contracts are an important risk transference tool as commissioners only pay for those results that are evidenced, transferring the risk of paying for 'failure'. There are also a number of other advantages attributed to PbR's:

- Other agents (i.e. specialist VCS organisations) may be better placed than government to know what works through their professional experience and therefore are better placed to implement delivery;
- Performance incentives will be strengthened as no payments are made if results are not achieved; and/or,
- There is the potential for a diverse range of providers to deliver public services, driving increased efficiency and quality through competitive markets.

Despite these identified benefits, issues have been raised that the potential to impact on the value of PbR for commissioners and service delivery organisations as well as the social impacts themselves. These are summarised in Table 3.1 below.

Table 3.1 PbR: Key success factors

Key design feature	Potential issue / key success factors
Measurable outcomes	<ul style="list-style-type: none"> ▪ The outcomes need to be easily quantifiable and measurable, in order to robustly demonstrate whether an outcome has been achieved. ▪ Some social outcomes are very difficult to quantify, with proxy measures only partially representative. ▪ Some outcomes (e.g. employment prospects) require long time horizons before an outcome can be assessed. ▪ A process for measuring outcomes and validating success needs to be developed independent of the contracting parties. ▪ (See blue box below, identified good practice: lessons learnt around outcome measures)
Well-defined target population	<ul style="list-style-type: none"> ▪ The population need to be defined so that it cannot be manipulated by the service provider. ▪ It also needs to be tightly defined to reduce the potential of 'cream skinning'⁴³ however, it may not be possible to entirely eliminate this.

⁴² NCVO. 2013. 'Payment by Results contracts: a legal analysis of terms and process'. Available at: http://www.ncvo.org.uk/images/documents/practical_support/public_services/payment_by_results_contracts_a_legal_analysis_of_terms_and_process_ncvo_and_bwb_30_oct_2013.pdf

Key design feature	Potential issue / key success factors
	<ul style="list-style-type: none"> ▪ Linked to this is the need for a comparable target population or acceptable counterfactual.
Clear causal link	<ul style="list-style-type: none"> ▪ A clear link between intervention and the result needs to be established, ensuring providers are not paid for positive outcomes not related to their intervention (also known as deadweight). ▪ Deadweight cannot be completely eliminated, so this needs to be factored into the price. ▪ The use of a variety of interventions on the same target population makes causal links more difficult (see endogeneity concerns below).
Endogeneity concerns	<ul style="list-style-type: none"> ▪ There are a variety of interventions and factors that impact the target population making measurement of social impact very difficult. ▪ Payments cannot be attached (or linked) to targets that are beyond the providers' control.
Accurate price for outcomes	<ul style="list-style-type: none"> ▪ Commissioners need to be able to calculate the value they place on the agreed social outcomes. ▪ The pricing can be (but not necessarily) linked to the amount of cashable savings the social impacts generate. ▪ Payments can be 100% performance based or could combine with some element of a fixed payment.
Evidence burden	<ul style="list-style-type: none"> ▪ Risk that payments are attached to too many targets requiring significant resources to monitor accurately.
Prescriptive provisions within contract	<ul style="list-style-type: none"> ▪ PbR introduces a significant shift in risk profile towards provider and this shift needs to be reflected in the contractual rights and responsibilities. ▪ The contract should be less prescriptive about how the service is delivered. ▪ In reality, a review conducted by NCVO found in many cases the inclusion of overly prescriptive provisions within contracts.

Source: ICF analysis & NVCO (2013)⁴⁴

⁴³ 'Cream skimming' refers to a focus on those that are easiest to delivery services to and achieve outcomes. The result of cream skimming is that those most in need (or, those most difficult to service) will remain vulnerable.

⁴⁴ NCVO. 2013. 'Payment by Results contracts: a legal analysis of terms and process'. Available at: http://www.ncvo.org.uk/images/documents/practical_support/public_services/payment_by_results_contracts_a_legal_analysis_of_terms_and_process_ncvo_and_bwb_30_oct_2013.pdf

Identified good practice: lessons learnt around outcome measures

As part of the HMP Peterborough SIB, the process to develop a methodologically robust outcome measure that had the confidence of all stakeholders, was time-consuming and an analytically complex process. Establishing the statistical significance and attributing changes to the SIB-funded intervention were crucial elements in negotiating the outcome measures. It was noted a key lesson learnt was the required balance between the robustness of the outcome measure and time, simplicity, resources and data availability.

Source: Disley, E., Rubin, J., Scraggs, E., Burrowes, N., Culley, D. 'Lessons learned from the planning and early implementation of the Social Impact Bond at HMP Peterborough'. RAND Europe, Ministry of Justice.

3.5 Advantages of the SIB model

A distinguishing feature of SIBs from other forms of PbR is the way their financing is structured; a SIB is a particular form of (social) investment product within a broader array of funding and investment models.

SIBs are a deliberate instrument to attract external finance to support the delivery of 'public services'. Given the nature of the services to be delivered, most investors are likely to be 'social investors' who are motivated both by the financial returns they can make and by the social impact their investments can achieve ('blended returns'). Furthermore, as an investment decision against the ability to deliver outcomes, investments are based within a particular assessment of risk. The investor: expects to put their money at some level of risk; considers both financial and social impact rewards; and are likely to be prepared to be more innovative in their approach to delivery as part of seeking reward through outcomes.

Furthermore, as noted in the box above, SIBs hold a particular 'quasi-equity' niche as an investment product. This implies that the investor does take (greater) risk in contrast to both secured debt lending to a provider and against traditional bonds. For the provider, this reduces risk that they may incur through other forms of 'working capital' investment needed to be able to participate in PbR. In either case, the commissioner has transferred risk. Thus it is important to understand SIBs within the wider context of how to fund the achievement of social outcomes.

Table 3.2 below considers the potential advantages of the SIB model in comparison to stand-alone PbR contracts, as well as traditional government-funded service delivery.

The key advantages for the SIB model, in contrast to other PbR mechanisms, are identified as:

- That the service provider is provided with forward funding to deliver the services, lowering the cash flow barriers associated with PbR contracts;⁴⁵ and,
- That the unsuccessful outcome risk is transferred away from the commissioner /taxpayer as well as away from (or, partly away from) the service providers who are usually VCS organisations.

Table 3.2 Comparison of funding models

	Social Impact Bonds	Payment by Results Contracts	government Debt – Publicly Funded
Public sector only pays for success	✓	✓	X
Transference of unsuccessful outcome risk away from taxpayer	✓	✓	X
Transference of unsuccessful outcome risk away from (or partly away from) service providers	✓	X	X
Public sector payments proportional to improvements in social outcomes	✓	✓	X
Service providers' costs funded up front	✓	X	✓
Helps to facilitate cooperation between multiple service providers	✓	?	X
Greater potential for innovative and more risky service delivery models	✓	?	X

Source: Bolton, E. & Saville, L. 2010. 'Towards a new social economy: blended value creation through social impact bonds.' London: Social Finance.

There are also some potential additional benefits of cohesion with other services that may emerge depending on how the SIB and PbR contract are designed. For example, some outcomes may encourage complementary service providers to collaborate with each other, leading to greater efficiency and effectiveness when they work together with a shared goal.⁴⁶ In addition, it is suggested that the nature of the commissioning process and the

⁴⁵ Disley, E., Rubin, J., Scraggs, E., Burrowes, N., Culley, D. 'Lessons learned from the planning and early implementation of the Social Impact Bond at HMP Peterborough'. *RAND Europe, Ministry of Justice*.

⁴⁶ Bolton, E. & Saville, L. 2010. 'Towards a new social economy: blended value creation through social impact bonds.' London: Social Finance.

priorities of the investors may result in more innovative and riskier projects than the government is likely to fund.⁴⁷

3.6 Critiques of the SIB model

Although proponents of SIB structures identify these strengths, there are a range of critiques of the model.

3.6.1 The ability to identify, measure and value social outcomes – and the costs of doing so

Firstly, linked to the PbR component of SIBs, there has been criticism around the measurement of social outcomes. The viability of measuring social outcomes (as outlined above with reference to HMP Peterborough) is notoriously difficult. As McHugh et al (2013) state, 'off-the-shelf' measures that are robust enough for contracting payments do not exist for many social outcomes.⁴⁸ There is resultant complexity involved in formulating a SIB contract due to the need to evidence the social outcomes that are attributed to the intervention. Furthermore, to ensure certainty of outcomes in order to release payments, there can be an associated burden of collecting information to evidence achievements.⁴⁹ Whilst this reinforces the point made earlier about the role of intermediaries in facilitating the process of SIB development, it highlights also the substantial 'set up/transaction costs' that have been incurred to date for the SIBs that have been developed.

3.6.2 The demands and consequences of a blended returns approach

A second criticism that has been suggested by some authors identifies potential unintended consequences for the voluntary and community sector as a whole. This criticism is applied to both PbR's and SIBs alike. An NVCO study (2013),⁵⁰ after interviewing a number of social service providers, argued that there is inadequate awareness around the commercial impacts of PbR and SIBs. This predominately relates to understanding cash-flow issues and the level of risk that providers are taking. The study argued that there is a failure of commissioners to acknowledge the impact on providers and that over time there is a risk of adversely affecting the diversity of the provider market, and thus the quality of the service being delivered.

The lack of investment readiness, referred to above at 3.2, has been identified as a major barrier to the development of the social investment market more widely. There is a concern that few providers are in a suitable position to make the transition to new funding models that is being asked of them by models such as SIBs.⁵¹

⁴⁷ Cox, B.R. 2011. 'Social Impact Bonds: Financing homelessness prevention programs with social impact bonds.' *Review of Banking & Financial Law*.

⁴⁸ McHugh, N., Sinclair, S., Roy, M., Huckfield, L. & Donaldson, C. 2013. 'Social Impact bonds: a wolf in sheep's clothing?'. *Journal of Poverty and Social Justice* 21(3), p247 – 257.

⁴⁹ McHugh, N., Sinclair, S., Roy, M., Huckfield, L. & Donaldson, C. 2013. 'Social Impact bonds: a wolf in sheep's clothing?'. *Journal of Poverty and Social Justice* 21(3), p247 – 257.

⁵⁰ NCVO. 2013. 'Payment by Results contracts: a legal analysis of terms and process'. Available at: http://www.ncvo.org.uk/images/documents/practical_support/public_services/payment_by_results_contracts_a_legal_analysis_of_terms_and_process_ncvo_and_bwb_30_oct_2013.pdf

⁵¹ See Big Society Capital (2013) Social Investment Compendium

McHugh (2013)⁵² also argues that the SIB model of commissioning could result in ‘mission drift’ in the VCS. This relates to the potential for perverse incentives leading VCS providers away from activities that are most needed to those that are most measurable. As Hudson et al’s evaluation for DWP (2010)⁵³ describes, this was evidenced in the provider-led Pathways to Work programme. In this case, the PbR created incentives for the organisations to shape their provisions around the contracts rather than the needs of their clients.

An additional criticism that has been made regarding the SIB model is the resultant loss of a direct relationship between service providers and commissioners. This criticism is particularly voiced in instances where intermediaries have a significant role in the development of the SIB. As a result of this role, commissioners no longer have a direct relationship with service providers. It is argued that this creates asymmetric information in favour of the providers, which could reduce oversight and the ability of commissioners to influence provisions.⁵⁴

3.6.3 Achieving a balance of risk

A final critique provided of the SIB models developed to date is the imbalance of risk sharing between stakeholders. Although the key benefit of a SIB is the transference of risk to investors, how this is structured is new and the pricing of this has remained problematic.⁵⁵

A high level of risk remains around outcomes and performance, with little data available around track-records and thus a lack of clarity about the risk of success or failure. In addition, there exist political risks associated with future policy decisions on related complementary services (upon which a SIB may depend for joint working), liquidity risks (provider failure due to lack of or problems with managing outcome payments) and the long-term nature of some outcome metrics defined (and when they can be paid within a contract). These risks mean the returns required by social investors are usually quite high.

Whilst some investors are open to taking lower levels of return than planned, the possibility of losing the full principal investment amount (which was a feature of the investment terms in HMP Peterborough) is generally not tenable. Rather, investors may accept lower returns if downside protection (what happens when there is poor performance) is offered on their principal investment.

⁵² McHugh, N., Sinclair, S., Roy, M., Huckfield, L. & Donaldson, C. 2013. ‘Social Impact bonds: a wolf in sheep’s clothing?’. *Journal of Poverty and Social Justice* 21(3), p247 – 257.

⁵³ Hudson, M., Phillips, J., Ray, K., Vegeris, S., Davidson, R. 2010. ‘The influence of outcome-based contracting on provider-led pathways to work.’ *Research Report No. 638. Department for Work and Pensions*.

⁵⁴ McHugh, N., Sinclair, S., Roy, M., Huckfield, L. & Donaldson, C. 2013. ‘Social Impact bonds: a wolf in sheep’s clothing?’. *Journal of Poverty and Social Justice* 21(3), p247 – 257.

⁵⁵ The Rockefeller Foundation. 2012. ‘Building a Health & Sustainable Social Impact Bond Market: The Investor Landscape’. Available at: <http://www.rockefellerfoundation.org/blog/building-healthy-sustainable-social>

The Rockefeller Foundation, in a 2012 report⁵⁶, suggested that commissioners should share more of the outcome performance risk, rather than shifting this (often) entirely to investors. They argue that this lessened risk to investors would work as credit enhancement, making investment more attractive and widening the market by bringing more commercial investors to SIB products. This would help to adjust the risk return required and the related costs of SIBs.

Risk and return in SIBs to date

Different SIBs have different levels of risk, which is then reflected in the expected return investors have. This means that to make fair comparisons of returns between projects, it is important to use a risk-adjusted return, which reflects the risk an investor is taking on. So, what may appear to be in absolute terms a strong maximum rate of return on offer in a SIB, may actually represent a very low risk-adjusted return.

Expected returns on SIBs have significantly varied. The first SIB, HMP Peterborough, had a capped interest return of 13 per cent if the reoffending rate dropped beyond the threshold of 7.5 per cent.⁵⁷ This is significantly higher than subsequent SIBs, reflecting the pilot nature of the product and respective high risk. The Essex County Council's SIB (contracting with Children's Support Services) had an 8 per cent medium performance level return for investors.⁵⁸

Internationally, SIBs are being priced at a range of levels. The first Australian SIB, based in New South Wales, targets children in out-of-home care and has a financial return of approximately 10 to 12 per cent, with capped losses at 25 per cent of capital.⁵⁹ The New York City bond targeting adolescents at Rikers Island correctional facility has a return to Goldman Sachs of \$2.1 to \$2.4 million from a \$10 million initial investment (approximating to roughly a 20 per cent return).⁶⁰

Achieving a balance of risk is a debate critical to the future of the SIB model. With few SIBs there is a high degree of interest in each and each sets a further market indicator on how risk can be structured. For example, the largest SIB to date (\$27m) was launched in Massachusetts, USA in early 2014 aimed at reducing recidivism. It is significant for its investors list, including Goldman Sachs the multinational investment bank. It has, however, been criticised for the substantial level of subsidy within the model (more than the total possible returns to investors) and approach to leveraging philanthropic investment that provides the largest returns to those who have taken the least risk. SIBs are a new

⁵⁶ The Rockefeller Foundation. 2012. 'Building a Health & Sustainable Social Impact Bond Market: The Investor Landscape'. Available at: <http://www.rockefellerfoundation.org/blog/building-healthy-sustainable-social>

⁵⁷ Cabinet Office, Centre for Social Impact Bonds. 2013. Available at: http://data.gov.uk/sib_knowledge_box/ministry-justice-offenders-released-peterborough-prison

⁵⁸ Cabinet Office, Centre for Social Impact Bonds. 2013. Available at: http://data.gov.uk/sib_knowledge_box/essex-county-council-children-risk-going-care

⁵⁹ Cabinet Office, Centre for Social Impact Bonds. 2013. Available at: http://data.gov.uk/sib_knowledge_box/new-south-wales-government-children-out-home-care

⁶⁰ Cabinet Office, Centre for Social Impact Bonds. 2013. Available at: http://data.gov.uk/sib_knowledge_box/new-york-city-adolescents-departing-rikers-island-correctional-facility

product and all have required subsidy to become operational but this is not sustainable if they are to become a mainstream, scaled approach.⁶¹

Identified good practice: Stakeholder sharing of risk

On July 17th 2013 an adoption SIB was announced, 'It's All About Me', raising £2 million from social investors. It was developed by a Consortium of Voluntary Adoption Agencies and Baker Tilly. The SIB is designed to invert the traditional adoption service model so that the child seeks out parents, not the other way round.

The SIB will support placement of 100 children and investors will receive a 4 per cent annual return. The investors will be repaid in four instalments using funds that local authorities will pay for placement of the children - £54,000 per child, which is approximately half as much as it costs to provide care for a child for a year. If placement fails before any of the payments, no further payments will be made.⁶²

The fund pays a normal commercial return and it is foreseen the SIB debt instrument can move onto the commercial investment market⁶³ – this reflects a more effective risk sharing agreement between commissioners and investors. The SIB is expected to entice further, traditional investment early next year of £3.5 million.

3.6.4 Key success factors

The development of the SIB market to date has provided an insight into the key success factors and the common challenges standing in the way of further development and wide spread adoption. In a 2013 report, KPMG identified four sets of success criteria and key questions necessary for multi-stakeholder confidence in a proposed SIB. These are outlined in Table 3.3 below:

Table 3.3 Feasibility criteria for SIBs

Feasibility Criteria	Key questions
Policy success	<ul style="list-style-type: none"> ▪ Is there a clearly defined SIB target population? ▪ Are there measurable SIB outcomes? ▪ Are there innovative interventions that are not used today? ▪ Can a counterfactual be measured?
Provider market	<ul style="list-style-type: none"> ▪ Are there providers/ delivery partners that would be able to deliver the programme? ▪ Is there a workable structure for the delivery

⁶¹ See Brown, A. (2014) <http://www.pioneerspost.com/comment/20140214/are-the-americans-winning-the-race-make-private-capital-work-good>

⁶² The Economist. 2013. 'Social Impact bonds: Baby Steps'. Available at: <http://www.economist.com/blogs/freeexchange/2013/07/social-impact-bonds>

⁶³ Baker Tilly. 2013. 'It's All About Me – The CVAA service for harder to place children'. Available at: <http://www.bakertilly.co.uk/publications/Its-All-About-Me.aspx>

Feasibility Criteria	Key questions
	model?
Financial case	<ul style="list-style-type: none"> Is there a financial case from a commissioner's perspective? Is there a financial case from an investor's perspective? Is there a workable commercial model from a provider perspective?
Stakeholder support	<ul style="list-style-type: none"> Do staff support the SIB project? Do the target population support the SIB interventions and project?

Source: KPMG. 2013. 'Social Impact Bonds: Planting for future growth'.

3.6.5 Summary

This section has provided an overview of the development of SIBs as an instrument combining PbR and social investment that supports innovation in public service delivery. There have been relatively few SIBs to date and they remain in their infancy.

- There are high costs associated with SIBs, reflecting the early stage of their market development, infrastructure development and the learning taking place across commissioners, investors and providers;
- Although there is a standard SIB model, there are major variations on this in practice and there is not yet a range of templates for their development;
- Intermediaries play a central role in the development and commissioning of SIBs;
- PbR structures are core to SIBs and present a range of challenges including the key requirement of providing certainty around outcomes and the associated links with payment metrics;
- SIBs provide service delivery organisations with forward funding, addressing the need for cash flow associated with PbR models that do not provide payment until outcomes are achieved;
- SIBs seek to transfer the risk for failure away from commissioners, who only pay (public funds) for outcomes achieved, and from providers to investors who hold the risk;
- But this transfer of risk is finely balanced as investors must assess the risk as appropriate and higher value risk transfers bring higher investment costs – the levels of investment return are dictated by the investors' assessment of risk and remains an area of testing and learning with SIBs as one of a range of social investment products; and,
- To be successful, SIBs should: target a defined population; have clear, measurable and attributable outcomes; be suitable for specialist independent providers; offer a viable financial model for commissioners (linked to savings from improved

outcomes) providers and investors; be developed through stakeholder consultation and agreed by them as appropriate.

The London Homelessness SIB will provide valuable learning in this context. The next section explores how and why it was developed.

4 Developing the London homelessness SIB

This section describes the way in which the London Homelessness SIB ('the SIB') was developed, from initial discussions within government and across stakeholders to a commissioned service of two provider interventions. An outline of the different stages is provided, including the perspectives of the different stakeholders, to identify what worked well and less well and the learning for future SIB commissioning.

4.1 Origins

The SIB emerged as a potential way of trialling innovation in provision for rough sleepers in London within DCLG in 2011, reflecting the wider discussions across government about the potential of PbR and SIB structures for innovation in public services that were outlined in section 3. A SIB was identified as offering the potential for bringing new finance into new provision for rough sleepers.

Following initial internal discussions, informal consultations were held with stakeholders from the GLA, local authorities and providers delivering contracted services for rough sleepers and homelessness support in London to take initial soundings on the concept of a SIB that had a long-term and outcomes, rather than a service specification, focus through a PbR structure. There was initial interest across all these groups (though some concerns) and as part of this process the notion of a cohort of rough sleepers who sat within the key existing provision emerged. Analysis of CHAIN data was undertaken for DCLG and this confirmed a definable cohort group of '*inbetweeners*' who were not being targeted by existing initiatives.

In parallel, this early consultation with stakeholders was an opportunity to discuss potential long-term outcomes that would be an appropriate focus for a PBR structure. Policy leads at DCLG had identified broad areas reflecting the issues at the heart of recovery pathways from rough sleeping: reduced rough sleeping; sustained accommodation; entering employment; improved health and wellbeing; and, reduced crime. These were seen to be appropriate but there was caution amongst providers and local authorities about what the detail of the PbR structure would be. For both, there was concern about two interrelated factors at the heart of the model: how would it work with existing provision?; and, how would outcomes be attributed in the complex landscape of practice?

Following the very earliest consultations and the early support of the GLA, the outline proposal was discussed at Ministerial level in DCLG, with HMT and with the Cabinet Office. There was support here too and thus from quite early on the core principles of what became the SIB began to gather political and wide stakeholder backing. As a result, a potential fund of £5m was identified and Social Finance (in partnership with the Young Foundation) was commissioned to further develop the skeletal structure and to explore what could be achieved for the cohort through a *Feasibility Study*. The study was funded by the GLA and DCLG as the two key stakeholders (see section 2) in recognition that the SIB could only be developed through specialist expertise. Social Finance had developed the only other SIB in operation at this time (the HMP Peterborough SIB) and was able to provide contributory funding from the Big Lottery, available to them in support of the

development of new social finance products. The study undertaken by this partnership can be summarised as providing two core elements:

- What would an effective model of intervention look like for the ‘inbetweeners’ cohort of entrenched rough sleepers?; and,
- What would a SIB structure be, including detailed outcomes and metrics?

The study was conducted in a concentrated period, from autumn 2011 to January 2012.⁶⁴

The process followed and described below for the development of the SIB can be seen to have followed the good practice structure identified above at 3.6.4 in Table 3.3 (and returned to below).

4.2 Developing the SIB

4.2.1 An effective intervention model

This element of the feasibility study involved:

- A literature review, exploring the context of rough sleeping in London and evidence of effective interventions;
- Interviews with officers and practitioners from London boroughs, charities and providers;
- Workshops with former and current homelessness service users; and,
- Workshops with stakeholders in a future SIB to address homelessness in London.⁶⁵

The review explored the outcomes an effective intervention might achieve as well as the features of a successful model of intervention (see section 2.4 for its conclusions). The review identified the need for a (additional) ‘reconnection’ outcome as ‘*of critical importance*’ to the success of the SIB given the number of non-UK nationals in the cohort and within this: illegal immigrants with no right to remain in the UK; and EEA citizens who are not exercising their treaty rights. An outcome linked to ‘positive social networks’ was also identified, given the importance of a ‘*non-harmful social life*’ in successful recovery pathways.

Importantly, the evidence base did not suggest a tested intervention model that had been proven in robust research and that could be further tested for scalability – as was the case for the HMP Peterborough SIB. Instead, the review identified the features of an effective intervention drawn from evidence of promising practice and comprehensive work with stakeholders as set out above to identify with them what works in practice: a ‘Navigator’ model.

⁶⁴ The Young Foundation (2011) *Designing an Intervention for a Rough Sleeping Social Impact Bond: Final Report*; Social Finance & The Young Foundation (2012) *A Social Impact Bond for Entrenched Rough Sleepers: Outline Business Case*

⁶⁵ The Young Foundation (2011) *Designing an Intervention for a Rough Sleeping Social Impact Bond: Final Report*

A Navigator Model

The Young Foundation review⁶⁶ identified a 'Navigator' model as an effective approach to supporting the cohort.

The Navigator would have a budget to support a personalised approach, act as a single point of contact for the client and the services working with them.

The Navigator would be a key worker supporting the client from an individualised assessment through the network of provision necessary to address their support needs and sustaining this support over time to achieve long term outcomes.

An outcomes based structure would enable Navigators to take an assertive, tailored and personalised approach rather than the delivery of any one intervention.

In this way, the Navigators would support the cohort through the landscape of existing provision.

4.2.2 A social impact bond

Alongside the review of an effective intervention model, Social Finance undertook detailed analysis of CHAIN data to explore trends in rough sleeping and the characteristics of the cohort over time. The study explored the characteristics of a SIB model that would be attractive to providers and investors and deliver the outcomes required by commissioners (GLA and DCLG). The identified intervention model was developed and brought together with the modelling of the cohort and their service use to provide a business case for the SIB that set out:

- The social need – the vulnerability of the homeless, the Mayoral priority of ending homelessness, the characteristics of the cohort and their pathways over time;
- Potential interventions – gaps in service provision, principles of effective practice, the proposed Navigator model and the costs associated with different (low to high intensity) key worker interventions;
- Outcome metrics – describing the need for a set of multiple metrics that are linked to change, incentivise providers, are objective and as simple as possible; and,
- The value for money case – describing how more intensive interventions are linked to higher outcome achievement, reviewing the rationale for outcomes-based payment by results as both transferring risk and incentivising implementation by those best placed to deliver effective interventions.

4.2.2.1 Understanding costs and savings

The CHAIN database was used to identify a cohort of 653 rough sleepers who:

⁶⁶ Ibid,

- Had been recorded on the CHAIN database as having six or more bedded down street contacts during the past two years; and
- Had been seen rough sleeping, or have been living in a hostel for rough sleepers, in the last three months.

A wide range of analysis and modelling was undertaken for the cohort. Using CHAIN data, the business case sets out the average cost per cohort member across the public sector and thus the potential savings of a Navigator intervention focused upon the identified outcomes.

Table 4.1 Costs per individual cohort member across proposed outcome areas

Costs	Cost estimates used in model	Cost estimates not used in model	Net Present Value (NPV) of costs over five years
Rough sleeping costs	Average costs per person = £1,664 <i>Outreach services</i>	Housing benefit uptake	Average NPV per person = £2,985
Accommodation costs	Average costs per person = £3,818 <i>Temporary accommodation</i> <i>Tenancy breakdowns</i>	Changes in housing benefit	Average NPV per person = £6,849
Criminal justice costs	Average costs per person = £10,693 <i>Reconviction costs</i> <i>Police time</i>	Probation costs Long-term imprisonment	Average NPV per person = £19,182
Employment costs	Average costs per person = £2,600 <i>Job Seeker's Allowance</i> <i>Employment Support Allowance</i>	Exchequer benefit from employment	Average NPV per person = £4,664

Costs	Cost estimates used in model	Cost estimates not used in model	Net Present Value (NPV) of costs over five years
Health costs	Average costs per person = £1,890		
	<i>Unplanned hospital usage (A&E and ambulance usage)</i>	Specific alcohol and drug treatment programmes	Average NPV per person = £3,390
	<i>Psychiatric hospital usage</i>		
Average per person	£20,000		£37,000
Estimated cost of cohort	£13.5m		£24.2m

Feasibility Study p.30

Detailed investigation of each proposed metric was undertaken. Despite the high level of potential public sector savings, the intended crime metric was not proposed in the final model, due to difficulties in identifying attribution – because of the way it is recorded, crime data is not available for the defined cohort of rough sleepers. The study concluded that crime and associated costs would be reduced on the basis of research evidence of a link between stable accommodation and offending. But the metrics for the SIB had to be clearly defined, as simple as possible and objectively measured. For similar reasons, a possible metric for positive social networks was not included.

By modelling the pathways of different ('inbetweeners') cohorts over time using CHAIN and other available data, baselines of expected achievement were created. It was not possible to create a matched comparison group for the cohort – there is no equivalent of CHAIN in other UK cities and by definition it is a unique cohort within London. As was outlined in section 3, attribution of outcome is essential in PbR (and SIB) structures. Therefore baselines are extremely important because they provide the analysis of what is expected to be achieved without a specific (targeted) intervention. For the SIB, they then provided the basis for modelling of what the proposed intervention might achieve and what payments for these outcomes could be made in recognition of expected savings. By linking payments based on achievements beyond the baseline expectations, the achievement of outcomes is incentivised. This is an attempt to account for 'deadweight' – what would be achieved in the absence of the intervention and therefore what can be attributable to it as payment is only made when performance exceeds the baseline.

The total costs per supported individual member of the cohort were calculated by estimating staff and other costs for delivering low and high intensity support through the Navigator model. This gave indicative upper and lower levels of total costs – £11,600 per person, total cohort cost £7.6m (high intensity); £5,700 per person, total cohort cost £3.7m

(low intensity) – providing an average of £8,650 and £5.6m and suggesting a budget of £5m could achieve a high level of support across the cohort.

The metrics devised are included in section Table 1.1 and provide:

- A baseline of rough sleeping – the decline in rough sleeping that can be expected without a new intervention. The minimum expected from providers was a 5% improvement on the baseline each quarter.
- A measure of sustained accommodation – with payments on entry and then after 12 and 18 months, driving a focus on sustained outcomes.
- A measure of reconnection – agreed return to non-nationals' home country, with payments on reconnection and when sustained for 6 months.
- A measure of employability and employment – recognising volunteering as well as part-time and self-employment, with payments on entry and when sustained for 13 weeks; and payment for NQF Level 2 or equivalent qualifications achieved.
- A baseline of Accident and Emergency (A&E) admissions – the average use of A&E across the cohort with payments linked to reduced admissions below the baseline.

4.2.2.2 The case for a SIB

In a parallel activity, mirroring the earlier consultations with providers and stakeholders, Social Finance provided outline information to social investors to test the potential interest amongst them for investing in the SIB model as it was emerging. These consultations similarly suggested a high level of interest in the model and the viability of a SIB as an outcomes-based approach funded by social investment.

The feasibility study included a business case, presented by Social Finance in January 2012, concluding that:

- There was a clear social case for funding an intervention targeting the cohort – the outcomes for the group could be improved bringing savings to the high public sector costs associated with them;
- An individualised support model of personal key workers – Navigators – would help the cohort access existing provision and resources, improving their outcomes;
- Despite the wealth of evidence of need and potential savings there was not a robust evidenced model to commission for a complex set of interrelated outcomes and thus there would be a high level of risk that outcomes wouldn't be achieved;
- Rough sleeping providers would be best placed to manage this risk as they have the expertise and skills to model what can be achieved and then to deliver it through a flexible approach with outcomes-based payments;
- Service providers should be supported and encouraged to use social investment to fully or partially fund services up front, potentially transferring implementation risk to investors and mitigating potential financial impediments they would face without working capital; and,

- Further consultation should inform an open procurement of the SIB, as this would refine and test the outcomes and associated metrics and enable providers to propose how the outcomes could be achieved and their costs for doing so.

The feasibility study presented a SIB that was designed to provide the key elements of an effective model and to address the risks that were described in section 3:

- Attributable outcomes that incentivise a long-term approach and mitigates against 'cherry picking' by spreading reward across a baseline with payments linked to achievement across the cohort;
- Flexibility for providers to develop and deliver an approach that works without being constrained by a prescribed intervention model measured by delivery outputs – with more than one provider commissioned;
- Clarity of costs and rewards so that providers and social investors could be clear about the level of risk being transferred.

But there was an important caveat:

- The lack of a rigorous evidence base for the model and for understanding impact, providing additional risk in the assumptions of achievement.

Included in the rationale for the SIB was the intention that it would result in a wider and deeper evidence base about what works as effective monitoring of outcomes and progress towards them would be incentivised.

At the inception of the SIB development, one consideration was to directly commission an organisation to develop, procure and manage the SIB directly; this is the model of the HMP Peterborough SIB. With the review by Social Finance concluding that the SIB should be put to open tender, and not directly commissioned from an intermediary such as themselves who would manage an SPV (see 3.3), their support contract was extended to: continue the development of the SIB PbR model; engage social investors and support providers to access social investment; and, support GLA in commissioning the SIB. In this way, similar but different functions were provided than those when acting as an intermediary but reflecting the need for specialist support across both commissioner and providers.

A detailed business case for SIB funding was presented to HMT Treasury by DLCG in January 2012 and it was secured in February. In developing this business case, further modelling was undertaken using the metrics from the feasibility study to identify how the overall cost per individual could be split across the different outcomes. This was complicated work to identify different scenarios that spread the payments across different models of what could be achieved from the baselines identified and what different scales of change could be achieved for intended outcomes. The resultant model set minimum and maximum outcomes to be paid for across a cohort of 700 rough sleepers – a rounded approximation from the 653 identified in the study's analysis of CHAIN.

How outcomes payments were proportioned

The outcomes pot was allocated:

- **25% to the rough sleeping metric** – the starting point of the outcomes pathway and allocated to reduce across time to incentivise and recognise the importance of higher achievement in the first year, reducing by year three;
- **40% to the accommodation metric** – to incentivise the achievement of sustained accommodation and in recognition of this as central to successful outcomes across other metrics and at the heart of the model of sustained recovery pathways;
- **25% to the reconnection metric** – to reflect the level of work required to achieve this outcome for the estimated proportion of the cohort to whom it would be appropriate;
- **5% to the employment metric** – to reflect the low numbers likely to achieve the outcome but the high costs of supporting this; and,
- **5% to the health metric** – to reflect the nature of the outcome as a baseline metric expected to be achieved as a consequence of support rather than the primary focus in itself for large numbers of the cohort.

The final metrics and payment levels were to be developed through further consultation and the commissioning process. They were the starting point, described by participants who contributed to the evaluation research as being based on a set of judgements linked to the analysis and consultation undertaken to that point in time.

4.2.3 Further consultation

Social Finance worked with DCLG and GLA to undertake further consultation with providers and stakeholders, to ‘sense test’ the model proposed. It was presented to a range of convened meetings and to stakeholder forums including inter-agency groups maintained by GLA to share and coordinate homelessness and rough sleeping practice in London. These consultations confirmed interest amongst providers in tendering for outcome-based contracts to deliver a Navigator model and to work with social investment. They also confirmed that the outcome areas and payment metrics were seen to be appropriate. Four contracts were proposed, but this was revised to two contracts on the basis of feedback from providers about the viability of smaller contracts and values as well as the complexity of four providers’ Navigators working across the landscape of provision.

A formal, open, service provider seminar was held in March 2012, with around 50 organisations in attendance. This began the procurement process and attendees were provided with a briefing pack setting out the rationale, cohort and outcome metrics. A questionnaire was circulated after the seminar and both this and the discussions at the event itself ‘confirmed there was appetite in the market’ (GLA Participant).

The SIB was well advertised across provider networks, building on the consultation that had taken place during the early development. Providers (both successful and

unsuccessful in tendering for the contract) who contributed to the evaluation research explained that the event addressed the ongoing concerns that they had prior to receiving fuller information. They felt that, *'we were part of it from the start'*, that *'the consultation was meaningful and our concerns were listened to'*; and reported that *'the SIB was well advertised. Everybody knew about it.'* Concerns centred on how the PbR outcomes would be structured and how the contribution to the delivery of those outcomes by other agencies would be addressed in the metrics. There were some concerns about PbR as a funding model for work with the cohort, and scepticism linked to a view that it *'wouldn't reflect the realities of working with this group'* (Provider). Overall the event was reported by providers who contributed to the evaluation research as addressing these concerns and providing all the background to, and information about, the SIB in a clear way.

4.3 Commissioning the SIB

Commissioning the SIB involved two strands of interrelated activity, with Social Finance continuing to support DCLG and GLA. GLA were the commissioning body for the SIB with DCLG providing £5m funding for the outcomes based contract. Social Finance guided GLA on the expectations and requirements of investors in the contracting process as well as providers who submitted tenders. They also provided ongoing support to the development of final metrics and payments.

Provider stakeholders who bid for the SIB contracts (both successful and unsuccessful) were clear that they had no hesitation in deciding to tender. Most organisations who submitted tenders had some prior experience of PbR, but none had experience of social investment. Whilst decisions were formally taken by senior management teams and the presented to Trustees for final agreement, all stakeholders were clear about the strategic importance of the contracts, despite some initial concerns (discussed below) about both PbR and social investment.

'There was no question of us not bidding for this. We didn't need the funding it was more reputational. We just had to go for it.' (Provider)

The strategic importance of the SIB contracts for providers

All of the provider stakeholders who contributed to the evaluation research were clear about their rationale for entering the tendering process for the SIB: the strategic importance of the contract. There were different, interrelated aspects to this:

- The importance for them as key providers of rough sleeping and homelessness provision in London to be seen to be willing to deliver the SIB;
- The importance of winning a key contract for delivery of rough sleeping and homelessness provision in London;
- The opportunity to learn from the development and delivery of a PbR contract, with this seen as an feature of future commissioning models;
- The opportunity to learn from the engagement with social investors

both for this SIB and for future SIBs or social investment opportunities.

Although the total potential value of the contracts is £2.49m for each successful provider, all of the short-listed organisations described the value of the contract as small in relation to their overall turnover and scale of contracts delivered. It was the strategic value that was described as the driver of their participation.

4.3.1 Competitive dialogue: a process for commissioning complexity

A ‘competitive dialogue’ process was used to commission the SIB. Local authority and GLA social support services are usually commissioned using standard procedures under ‘Part B’ of the EU public procurement regulations.⁶⁷ ‘Part B’ services are commonly health and social care services, for which there is no requirement to advertise on an EU wide basis. The EU regulations permit the use of a ‘competitive dialogue’ procedure whereby, following an initial tender submission, the commissioner can enter into separate, confidential discussions with short-listed providers. The commissioning authority for GLA is Transport for London (TfL), where the competitive dialogue procedure is associated with large infra-structure projects. The use of competitive dialogue for a service intervention of this type was new but experienced GLA commissioners worked with TfL to design the process. A competitive dialogue process was seen to be important because it enabled a dialogue with short listed providers, from an initial open call, about complex issues including the multiple outcomes and metrics. It was agreed that a competitive dialogue process would help both commissioners and providers ensure that viable, high quality tenders were developed, with attention focused on those with the capacity and capability to win the contract and deliver the SIB interventions.

Following the marketing seminar in March 2012, a ‘Selection for Dialogue Questionnaire’ (SDQ) was issued, inviting outline proposals of the delivery model – an initial ‘service solution’ – alongside information commonly used in a Pre-Qualification Questionnaire (PQQ) to select appropriate organisations for a full tender. A PQQ is often used for a two stage tender, but it does not support a competitive dialogue. The process was intended to address the potential for high interest in the SIB. The service solution required an outline of how the SIB outcomes would be achieved.

‘The idea was that we could then select down to half a dozen providers on the basis of this initial service solution, and then they could revise that as they went through the competitive dialogue’ (GLA Participant).

In the event, eight submissions were received and on the basis of marks achieved in the formal evaluation and marking against organisational viability and the proposed solution, five organisations were issued with the ITT mid-April 2012, with submissions for the competitive dialogue required one month later (mid-May 2012). Providers who had not submitted tenders for the SIB and who participated in the evaluation research as wider stakeholders explained that they did not enter the process due to the breadth of expertise required and their more limited focus.

⁶⁷ In the UK the ‘Public Contracts Regulations 2006’ enact the European Commission’s ‘Consolidated Directive on public procurement’ (2004/18/ EC)

The five shortlisted providers were then invited to the first competitive dialogue meeting (of three) to discuss their tender submission, in the third week of May. Meetings were held with each of the five providers in turn. A panel from GLA and DCLG met with them to ask questions about the proposed approach and to answer questions about what was required. It provided an opportunity to discuss the proposed metrics and tariffs and both providers and commissioners described the process as a two-way engagement.

Subsequent competitive dialogue meetings were held two and then four weeks (across May and June), to further develop the model each provider intended to submit in their final tender and the final procurement requirements. These later dialogue meetings also explored the progress with securing social investment and the financial models providers were intending to use to structure the SIB. The original timetable was amended slightly to allow for more time for development between dialogue meetings.

The process produced refinements rather than substantial changes, but those involved who participated in the evaluation research agreed that it enabled both commissioners and providers to develop confidence: for commissioners, that high quality tenders would be submitted; for providers, that they knew what was expected and could develop their initial plan to meet the requirements of commissioners.

Alongside this process, GLA and DCLG facilitated meetings between the short-listed providers and stakeholders from some of the key London boroughs so that concerns that they held could be addressed and considered in the delivery models. These concerns centred around how the models would work with existing provision – primarily outreach teams commissioned by the boroughs to support rough sleepers – and concerns about what an outcomes focus may mean for their clients – such as inappropriate interventions linked to outcomes rather than client needs. These were not uniformly held and not all of the concerns were perceived by those boroughs to have been addressed. But stakeholders accepted that the SIB was going to be provided and that all would need to work together for the benefit of the cohort.

4.3.2 Engaging social investors

4.3.2.1 Market Information Day

Once the short-listed providers had been invited to enter the competitive dialogue process, they attended a pre-arranged 'Market Information Day' soon after the first meeting. The event has been referred to by many stakeholders in the SIB who contributed to the research as a 'Dragons Den' event, in that it provided a forum for short-listed providers to 'pitch' their ideas to a group of investors. But this creates a misleading impression as the event was not intended to be similar to the eponymous television programme, despite the appeal of the comparison. The event was not intended to result in agreed financing nor agreements that these would be reached between any parties.

Building on their initial consultations with social investors, Social Finance had circulated information about the SIB once funding had been secured by DCLG through their business case and when the commissioning process had begun. This awareness raising included information about the forthcoming 'Market Information Day' and details were widely circulated. Social Finance also met with each of the short-listed providers to discuss with them investor expectations.

Views of the day were mixed amongst the participants in the evaluation research. This appears in part to be linked to the different expectations people had about the event in terms of what it might achieve in itself. The format provided an opportunity for each of the five short-listed providers to present to the room of investors attending. Presentations covered the organisation, their background and expertise; and, their intervention model and ability to deliver the outcomes. Each provider had a thirty minute slot to make their presentation and including time for questions from the floor.

Some of the evaluation research participants from providers who presented at the event found it disappointing – they reported that there was less opportunity for engagement with investors than they expected and limited questions asked of them. They also reported a perception that some of the potential investors in attendance were there to find out about the development of the SIB rather than to consider potential investment. There was no formal networking; the design of the event purposefully kept the provider organisations separate from each other. A minority thought it was a useful opportunity to position themselves as credible organisations and as the basis for further conversations to follow this introduction, including for investment opportunities beyond the SIB.

Social investors – who both did and didn't invest in the SIB – who participated in the research also had mixed views. They also felt that there had not been enough time to discuss providers' models in the time provided. Some reported that because the event would be attended by potential investors unlikely to take an inherent interest forward, discussions could not take place until the '*field had thinned out.*' Similarly, a minority thought it was useful in providing an initial introduction to the providers as organisations and their credibility in delivering the SIB and thus for investment and as the basis for subsequent discussions.

'We thought it was good because it's important that there is an open showcase in engaging investors. It's good to hear providers pitching. I think as always with these events, the really valuable stuff comes afterwards.' (Social Investor)

Suggestions for improving future events included:

- The development of a prospectus by providers that could be circulated in advance as the basis for more detailed discussion – this was something that providers developed after the event as they subsequently met with and held discussions with social investors to explore and secure investment; and,
- Longer sessions to enable a fuller discussion – one investor described a recent event where there had been an hour and a half for each provider.

4.3.2.2 Provider and investor negotiations

There were two broad models of subsequent negotiation between short-listed providers and potential social investors. One provider decided early on in the process that they would self-finance the SIB contract – this is returned to below.

One model was provider-led (three providers). Providers contacted social investors who had attended the Market Information Day, circulating their presentation and asking to meet. They also contacted investors who hadn't attended – identified through existing contacts where these were in place. For most of the providers these weren't extensive and were linked to previous discussions exploring social investment to differing degrees prior

to the SIB. One senior provider stakeholder described their links with investors as being a result of *'working my contacts book hard'*. Another route was through internet research.

In this model, providers spent time holding initial 'in principle' discussions to explore investor interest and then moving to more detailed negotiations where appropriate. The negotiations with investors were different according to their different interests and their different views of the SIB and the provider's model. This was described by providers as extremely time consuming. All investors required a wealth of information about the providers' financial standing, their track record in delivering contracts to support rough sleepers and address homelessness in London, and their planned delivery model including initial plans for outcomes over time and thus associated payments and cash-flow. Despite these detailed negotiations, they remained exploratory discussions. The final processes for securing investment are returned to below. In parallel, and in light of these discussions, providers made adjustments to their models. There was a high degree of interplay between investors' interests in their prospective returns (ability to achieve payments and rates of return), social impacts and amendments to the model providers made.

'Investors have to buy into the judgement you make as a provider and what that means for their investment and their return.' (Provider)

Investors are generalists, interested in social outcomes rather than being sector specific. They therefore spent a lot of time learning about the providers, their past performance, ethos and credibility. Staff from two investors (separately) accompanied one of the providers' outreach teams on a night-shift to enable them to get a better understanding of the way in which support was delivered to the cohort and other rough sleepers. As well as being a new and innovative form of service contracting for commissioners, the SIB was a new and innovative investment product for social investors. After HMP Peterborough, SIBs had been developed by DWP Social Investment Fund but the London Homelessness SIB remained new and with unique features linked to the nature of the cohort, the multiple outcomes, the nature of the intervention and the open commissioning process. Time was spent conducting 'high level' due diligence as outlined here, but the more thorough work did not take place until contracts had been awarded (returned to below).

Social investors' interest in the SIB

All of the social investors who participated in the evaluation research highlighted:

- The potential strategic importance to them of the SIB – as a high profile and complex example of a new pilot product;
- The importance of the clear potential for social impact – with social outcomes the key driver in deciding whether or not to consider the suitability of a product for investment;
- The attraction of outcome based contracts in offering providers the flexibility to deliver services that they deemed to be effective – incentivising performance based on provider expertise rather than providing a rigid specification; and,

- The risk and uncertainty inherent in the SIB – as with providers there were concerns about how the PbR structure would work in practice, whether or not the models would achieve their targets and therefore the difficulty of assessing risk.

The second model was that taken by one provider (St Mungo's) who early on in the process, following the Market Information Day, agreed with Triodos bank that they would act as an intermediary. Triodos is one of the few stakeholders in the SIB landscape with experience of taking this role – which was discussed in section 3.3.

Triodos held discussions with three of the providers during this early phase, before agreeing to work with St Mungo's. For a fixed fee, Triodos were able to prepare the information investors required, liaise with them on St Mungo's behalf and provide a high level of support with negotiations as well as with the development of the model taking place in parallel. Investors were positive about the role Triodos played as it reduced aspects of the work that they needed to undertake; information they expected was presented in the form that they required. The decision to work together was a decision taken by both parties – for St Mungo's, to pay an intermediary to advise and support their tender and development of the SIB financing structure; for Triodos, to work with a provider likely to be successful.

From the outset, St Mungo's and Triodos took the decision to develop an SPV to contract and deliver the SIB. Other providers, working without an agreed intermediary, were unsure about the costs associated. Although negotiations were ongoing: one provider ruled an SPV out on the basis of cost; and, two providers intended to establish an SPV but had not secured an intermediary. A fifth provider intended to self-finance the contract. Providers found the specialist support of Social Finance to be important, helping them to understand investor expectations as well as terminology, particularly in the early stages.

For the second and then third competitive dialogue meetings, an increasing focus of the commissioner's inquiry was the progress with securing social finance and the level of financial risk providers were taking themselves, including for the provider developing a self-financed model.

4.3.3 Developing the PbR

At the heart of the competitive dialogue process and the negotiation with investors was the development of providers' delivery models for the PbR structure of the SIB.

Developing the PbR model involved providers working through different scenarios of what different size staff teams could achieve in terms of the outcomes specified. This was complex and time consuming work. The providers used the indicative cohort provided – 700 split across two contracts – to make judgements about the likely progress to outcomes by different groups. Modelling involved exploring different outcome achievements with different overheads and what this would mean for cash flow across the contract and for final outcome payments. In this way, risk is identified. Discussions with investors involved providing models for expected, over and underachievement (upside and downside) and what that would mean for outcome payments and thus investor return. It involved identifying what cash flow would be required for the set-up and then delivery of the SIB and how this would be managed alongside making investor returns.

Although the SIB intervention model was developed through consultation and was based on evidence and views of effective practice for the cohort, the PbR structure and the focus on the cohort was new and, ultimately, the models were matters of judgement. A further complicating factor was that, whilst CHAIN is a strong source of data, it is not comprehensive in terms of the PbR outcomes and there was a degree of uncertainty about the scale of need and vulnerability of those in the final cohort when it was drawn. The cohort was defined by their rough sleeping and although modelling of the cohort over time suggested a degree of commonality, this did not relate to comprehensive data about support needs and judgements were required about the nature of the group and the issues to address to achieve the outcomes.

All of the providers described the rough sleeping, accommodation and reconnection outcomes as key – reflecting the design of the PbR and the payments associated with them. Employment was recognised as an extremely challenging outcome to achieve due to the nature of the target group and the barriers entrenched rough sleepers face; health was viewed as an extra rather than core source of funding and difficult to predict and manage. The number of individuals in the cohort increased from c.550 when the Feasibility Study was commissioned to c.700 at the time of ‘Selection for Dialogue’. This was an indicator of uncertainty and hence the challenge providers may face, for them and also for investors (returned to below).

The competitive dialogue process provided an opportunity for both GLA as commissioners and the providers to review the proposed models, including the level of ambition GLA expected to see. It was also a forum to clarify issues around the outcome metrics, the way in which they would be evidenced and the payments associated with them. An ongoing consideration was how outcomes would be attributed and paid. The reconnection outcome payment was raised slightly, for instance, in recognition of the work required. There was also discussion of the evidential requirements for outcomes, and how outcomes could be documented. Ultimately, for everyone involved in the process of model development and competitive dialogue, this was a detailed process of review and amendment to settle on core scenarios.

GLA provided a pre-populated spreadsheet of outcomes and payments for modelling achievement and cash-flow. This also enabled them as commissioners to see and compare the levels of ambition across the models through the competitive dialogue process in a uniform way. Providers found this a useful tool, although the content relied on their judgements. The providers had knowledge of members of the expected cohort through their existing services and this also contributed to *‘a good starting point for understanding what outcomes are achievable’*. (Provider). Nonetheless, developing the models was *‘one of the most difficult aspects... and ultimately a stab in the dark’* (Provider).

The modelling was led by senior staff in the provider organisations – directors of finance, operations and senior managers. Although there was experience of PbR amongst some of the providers, the process was time-consuming and demanding. Whilst providers anticipated that the process would take longer than a ‘standard’ contract tendering process, it exceeded their expectations. For instance, one Director of Finance estimated that it had taken more than ten days of their time, in contrast to a few hours for a standard approach. Nonetheless, whether successful in winning the SIB contract or not, all provider stakeholders considered the process to have provided invaluable learning about

structuring PbR delivery models and (for the four exploring social investment) in understanding and meeting social investors' requirements.

One provider explained that as a consequence, despite their track record and confidence in the data and assumptions used as the basis of their models they have '*professionalised our approach to mapping and predicting outcomes. We had not done anything like this before.*'

4.4 Procuring the SIB contracts

Following three rounds of competitive dialogue meetings, the final ITT was issued to the short-listed providers at the end of July 2012. This was slightly later than originally planned, due to the extended periods between the competitive dialogue meetings and as final details of the commissioner's requirements were devised. The ITT provided final details of the metrics, evidential requirements and payment levels. It also provided the final cohort which had increased to 831. There was a clear view amongst providers that the ITT was well designed and developed through the competitive dialogue process. The providers were given five weeks - to the end of August – to prepare the final submissions, building on the competitive dialogue materials. Crucially, the final financial models were to be agreed.

4.4.1 Awarding the SIB contract

Four tenders were received in response to the ITT. One of the short-listed providers who participated in competitive dialogue withdrew from the process – linked in part to their discussions with investors. The influence of investors and the process of securing investment is returned to below.

The tenders were evaluated against a range of criteria. The precise detail of the assessment categories and weighting will not be repeated here. But the key themes and parameters are important to understand. The tenders were judged for both the numbers of outcomes that they proposed to deliver across the cohort and the discount they provided on the maximum tariffs (the amount paid per outcome). This was a technical, marked assessment with scores attributed to each tender according to their ranking of higher outcomes and lower tariffs. They were also judged in qualitative way for the credibility of their delivery model. This included the way in which the cohort would be contacted, assessed, engaged and supported to achieve the outcomes appropriate to them. In this way, a balance was achieved in assessing the interrelationship between how achievable the outcomes were in each model, the ambition of the providers to achieve outcomes and the value for money that was provided. Aspects of the tender that were assessed included proposals for working with partners, the way in which outcomes would be monitored and performance management.

A version of the modelling tool previously provided by GLA, designed by Social Finance, for the competitive dialogue was also provided for completion as part of the tender. This provided the format for presenting the modelled achievement of outcomes over time, the targets (ambition) set by the provider and the discounts on the tariffs. It also required a summary of how the SIB would be financed and investments repaid. This spreadsheet calculated the cash flow that would be required to set up and fund delivery until payments were received, working cash flow required across the contract including to meet finance repayments, took account both of the providers' balance sheet including reserves, and any

finance they were contributing themselves. It provided two key pass/fail criteria for the tenders – the financial viability of their tender; and, the financial risk that they were taking.

A contract was awarded to St Mungo's and another to Thames Reach. The two unsuccessful tenders were: One provider, judged to be taking too much financial risk – they did not have 100% finance secured in principle – and having too high a cost; and another provider, which scored lower marks than the successful providers on the delivery model proposed. Social investment was not a requirement of the contract, but both St Mungo's and Thames Reach (and others except the self-financed model) felt it was important to demonstrate the willingness to work with this finance in the delivery of the SIB.

4.4.2 Securing social investment

A SIB *'is a marriage of two contracts – it's an outcomes based contract from the commissioner and an outcomes based investment from a social investor'* (Social Finance).

One key challenge for commissioning the SIB was the need to align the award of contract with the final investment models as closely as possible so that delivery could begin as planned on 1st November. This was the second SIB to be procured through open tender. GLA provided a standard letter of intent, devised by Social Finance, for providers to include in their tender to indicate the 'in principle' support of social investors. This was because investors were not able to commit to investment until the contract(s) had been awarded. Unlike other SIBs, investors could not be certain about what they would be investing in until the contract was issued, notwithstanding all of the preparatory work done by them and in discussion with providers across the competitive dialogue.

Social investors that contributed to the evaluation research explained that the potential for the SIB to achieve a high level of social impact was a key driver of their interest. But as investors they must receive a return on their funds. Thus the rationale and function discussed in section 3 was confirmed. Although there is this common ethos and function to social investors, all have their own characteristics and organisational structures. In this way, no two investors are alike and each have their own institutional priorities and decision-making processes. In discussions for the SIB, this was borne out in the negotiations that providers had with investors during the competitive dialogue process and then the full and detailed due diligence undertaken subsequent to the award of contracts.

Examples of differences in social investor decision making

One illustration of the differences between investors is the structures that they have for making the decision to invest. Three examples from investors engaged in SIB negotiations are provided below.

- Investor A – have a two stage committee process. Prior to this, a first level of due diligence is undertaken to understand the opportunity, the market and the risk. At the first stage, an approval committee considers and identifies key risks for further due diligence to address. Following further and comprehensive due diligence, a second stage committee will review the analysis and finalise terms for the proposed investment. A formal final stage is then undertaken to agree the investment in line with the second stage committee's

terms.

- Investor B – require an initial online application form to be completed, which is scored. Additional information is then requested and a detailed assessment process enacted and a report prepared. This is then reviewed by a credit control team who examine the proposed terms and conditions. With their approval the report is presented to the Investment Committee, where the provider seeking investment is invited to present and take questions on their proposal. A decision is then made (usually immediately) and terms and conditions provided for the release of funds.
- Investor C – an investment team undertake a financial and social impact assessment of any opportunity as the basis for a decision to proceed with due diligence. Due diligence is then undertaken, commonly commissioned by an external provider. An assessment is then made of the findings of the due diligence and a recommendation made to the independent Investment Committee. A decision is taken, with terms and conditions for the investment agreed.

As noted above, investors investigated the providers' track records and undertook a range of activities and engaged in a range of discussions with provider senior stakeholders during the competitive dialogue process. Yet this was limited to an 'in principle' decision to invest and was dependent upon a subsequent full due diligence procedure including a review of the contract awarded. This due diligence was time consuming for investors and providers, requiring a high amount of detailed review. For St Mungo's, Triodos played a crucial role in brokering these discussions and investigations, reducing the burden on investors and St Mungo's alike.

Both St Mungo's and Thames Reach included their own funding in their SIB models, which investors found attractive as it showed their confidence and their willingness to share the risk.

4.4.2.1 Agreeing a contract

With guidance from Social Finance, GLA included a model contract with the ITT and this was adapted from a standard procurement to reflect the nature of the SIB as an outcomes-based contract. The contract was new to all parties and negotiations were expected. A detailed review of the contract was not undertaken by investors until it had been issued to the successful providers, due to the resources that this committed. The review by lawyers appointed by Triodos provided what GLA commissioners described as '*pages and pages of comments*', some of which were considered negotiable but others that were considered to apply to clauses required and standard to public sector commissioning. In their intermediary role, Triodos brokered negotiation so that compromise could be reached. A key area was around break-clauses for poor performance. Standard contract breaks in output based delivery or indeed PbR where there is not social investment were not appropriate as investors need a level of security or else their risk is increased. These discussions benefited both contracted organisations, in meeting investor expectations. Additional time was required in agreeing the contract with Thame's Reach (January 2013) than with St Mungo's SPV (December 2012) due to the work required by the former to

negotiate across multiple investors without an intermediary role. But, without an intermediary and SPV structure, Thames Reach saved on contract value spent on core costs.

All of the investors engaged by Triodos in the competitive dialogue process went on to invest. This was not the case for all of the investors who were in discussion with Thames Reach.

4.4.2.2 A risky context

For Thames Reach, the due diligence undertaken by a key 'in principle' investor led to their decision not to invest. It was not until the contract had been awarded that the investor evaluated what they described as '*the underlying assumptions*' and thus the risk in detail. The investor was proposing a loan with interest payments linked to performance. Thames Reach were investing some of their own funds, indicating their willingness to hold some of the risk, and had what the investor considered to be a healthy balance sheet. The investor was happy with this proposal rather than an SPV and the associated costs this brought to the contract. A key consideration in assessing risk was understanding the context for the SIB model. These concerns were not unique to this investor but it was an important factor in their decision to withdraw their offer of investment.

There were two aspects to the context that presented a risk to investors. One was the nature of the cohort. The cohort is by definition a heterogeneous and highly vulnerable group. The cohort increased during the process of SIB development from an initial 650 to 750 (competitive dialogue) to 831 (ITT) and this increased the uncertainty for investors about the ability of providers to deliver on the outcomes proposed. On the other side of this, the increased cohort offered the potential for increased social outcomes and for increased outcome payments and returns. These increased potential returns had to be balanced by the increased risk of non-achievement. This assessment of risk influenced the amounts investors were willing to commit and the levels of return that they sought.

The second contextual factor to risk assessment was the reliance of the SIB on the existing landscape of provision. Investors were concerned about changes to this network of services that may result from welfare reform and local authority budget cuts. The concerns were:

- There may be changes in the social economic context due to welfare reform that resulted in an increase in rough sleepers and those at risk of homelessness; this would in turn increase pressure on services and their capacity, including to support members of the cohort as part of the personalised pathways negotiated by Navigators.
- Changes to budget cuts may impact upon the services available, reducing funding available and individual service capacity to support rough sleepers and those at risk of homelessness; there may be direct service cuts reducing the network provision available or similarly creating a higher demand on services that were in place and consequently their ability to support cohort's pathways.
- For some investors there were concerns about the metrics and the data that was used to understand the cohort and the confidence that investors could have in the expected performance of the providers.

These were issues raised by both those investors that did invest and those that were in negotiation with but did not invest in the providers. It was part of their assessment of risk and ultimately their faith in the organisations; the level of their investment, the structure of the finance and the rates of return were all balanced. The strategic importance of the SIB as a pilot product and the potential for high social outcomes were high motivating factors in the willingness to take the risk assessed for those that decided to investment.

‘For us, the social impact needs to compensate for the financial risk we’re taking. In this case, we think it does.’ (Investor)

4.4.2.3 Structuring the investment

The final structure of the two SIB models was a result of the negotiations throughout the competitive dialogue and then contracting phases. The structure of the two providers’ SIB models is presented in section 1.1.3, Figure 1.1.

4.4.2.3.1 An SPV

For St Mungo’s, Triodos had worked with them to develop the SPV model since the outset of their agreement. The SPV was decided upon as it would hold the contract and hence the risk as the ‘standard’ SIB model. St Mungo’s were also interested in the learning that the SPV might provide for future contracts. Triodos worked with institutional investors, seeking a lead investor whom other investors could have confidence in. Charities Aid Foundation Venturesome agreed to be lead investor and as a result took the lead in negotiations brokered by Triodos. A second institutional investor (Orp Foundation) was also secured. After consulting with a range of institutional investors, Triodos then contacted a number of high net-worth individuals working with them on other investments. Most of these individuals were reported to be more interested in lower risk products. However, there was some interest and three private individuals took the decision to invest. The SPV is viewed by investors who contributed to the evaluation research as an appropriate way to manage their risk.

St Mungo’s have an equity investment in the SPV and the other investors received bonds. The equity investment is at risk before the bonds, providing an additional assurance for the social investors; in this way some of the risk is shared. St Mungo’s and the two institutional social investors have representatives on the SPV Board. The Board meet every six weeks to review performance and manage the contract with St Mungo’s. More informal updates are shared between the meetings. The investors have the annual interest rate they have set paid quarterly, with the principal sum repaid after the end of the contract once all potential sustained outcomes have been achieved. The rate of return cannot be reported due to commercial confidentiality; but it is around the mid-point of the range of SIB rates reported.⁶⁸ Although the rate of interest is higher than is available from a high street bank for other products, the risk of the SIB investment, its nature as a pilot product and the high due diligence costs makes this an appropriate rate of return in the view of investors.

⁶⁸ Big Society Capital (2013), *Social Investment Compendium: portfolio of research and intelligence on the social investment market*, p8
http://www.bigsocietycapital.com/sites/default/files/pdf/Social%20Investment%20Market%20Compendium%20Oct%202013%20small_0.pdf

'I don't think anyone is adequately able to price this. I think because SIBs are an untested model it's very difficult to ascertain the credit risk. [...] At the moment, there is simply not enough evidence to do so.' (Investor)

There are mixed views of the SPV amongst those involved. The investors see it as appropriate for managing the contract and for limiting the risk to them and St Mungo's. They also see it as providing a simple structure. The rate of return is seen as appropriate by all parties, in that it reflects the nature of the investment as new and in line with the investors' assessment of risk. In initial negotiations some investors were proposing returns of twice that agreed in the final structure. For some participants in the research from St Mungo's, whilst it has been a successful model there are concerns about the high costs that were associated with establishing it.

4.4.2.4 A mixed equity and loan structure

Although Thames Reach explored the possibility of an SPV, there were concerns about whether the level of fees involved was proportional for the size of the contract. They also identified social investors early on in the process who were interested in investing without an SPV structure. Senior staff at Thames Reach had an existing relationship with one investor (Big Issue Invest) and this facilitated early meetings. Networks also led to initial discussions with another key social investor (SEIF, set up by the Department of Health to invest in social enterprises providing health and social care services in England). There were also ongoing discussions until late in the process with an investor who withdrew late in the process, outlined above.

Each of the investors required individual negotiations in line with their differing structures. There were also different terms agreed with each, with negotiations changing in light of increased finance required once the in principle investor withdrew. For all, the reputation of Thames Reach as a provider, their track record, their strong balance sheet and their willingness to invest their own equity was key to assessing the risk.

With one (SEIF), an unsecured loan is provided at a rate lower than their standard terms, with interest paid quarterly and the principle investment repaid at the end of the contract. There was also a small revenue grant, in line with the terms set by the DoH who established the fund. For this investor, the primary concern was assessing the ability of the provider to deliver the outcomes, rather than the detail of the metrics and payment tariffs which were regarded by them as the concern of the provider and commissioner in contracting.

The other key investor (Big Issue Invest), was committed to supporting investment and innovation in homelessness and rough sleeping services. As with other investors, they had concerns about the availability of data and the social context but the social impact provided the motivation to find a structure that would work for them and support a decision to invest. The SIB was their first PbR investment and there was an interest in investing in the SIB on this basis – learning from PbR – as well as a concern about SPV structures due to their cost. Big Issue Invest also expressed a preference for being closer to the investment than the intermediary broker model allows. This investor provides both equity and loan financing, including 'mezzanine financing' which provides a loan with the right to take equity if the loan is not repaid in full. The investment decision was to provide an unsecured loan as this would be less based on performance and thus could be provided at a lower interest rate. The return rate agreed is the same rate as the other, with a further percentage linked to the performance and outcome payments achieved. The primary

rates of interest on these loans are less than that paid by the SPV. The additional return rate that is linked to performance takes it above this rate. This is lower than the standard rates provided by this investor but was made because of the close fit of the SIB aims with the investor's and their view of the potential for significant social impacts. As a condition of their loan, the investor required a place on the Board of Thames Reach so that there could be a direct link between them and the management of the contract delivery.

In addition to these loans, Thames Reach secured a grant to support the reconnection outcomes. This grant was provided from a Trust with existing links with Thames Reach and to support them in achieving a successful financial model. Thames Reach also have an equity investment in the SIB which is at risk before the loans (similar to St Mungo's equity in the SPV).

Because the loans are unsecured, in this structure both Thames Reach and the investors share the risk. The level of due diligence undertaken before the loans were provided reflects the level of risk the investors consider there to be.

4.5 Summary

Contracts were signed in December (St Mungo's) and January (Thames Reach) although delivery began close to the November start date and this is the focus of the next section (5).

This section has presented an overview of the process from initial identification of an opportunity for a SIB to provide a new intervention for addressing rough sleeping in London to the signing of contracts with two providers, each with their own investment structures. The key themes are:

- The importance of the substantial stakeholder consultation undertaken in developing the model – in terms of ensuring there was market interest and in using stakeholder engagement to refine the proposal so that there was a viable model for commissioners (at all levels of government), providers and investors alike;
- The importance of a thorough design phase that reviewed the evidence base and proposed an effective intervention model drawing on best practice to promote innovation in delivery;
- The core requirement of a transparent, detailed model that had credible outcomes and metrics that could be further developed through consultation and negotiation. This further development is necessary for a complex and innovative PbR structure to be viable;
- The limits of the evidence base available, the difficulties in assessing risk that this created for providers and investors and the resultant informed judgements that were the basis of intervention models and investment decisions driven by a desire to achieve social impacts;
- The strengths of the competitive dialogue process, which while not creating significant change in any of the models reviewed did provide the opportunity for a two-way refinement and clarification of performance expectations and associated metrics including evidential requirements;

- The complexity of negotiations with investors and the strengths and weaknesses of both intermediary and provider-led processes. Investors are motivated by the potential for both social outcomes and the returns that their investment can achieve. But they are not a homogenous group and all make their own assessment of risk. This can be facilitated through the role of an intermediary body, with associated costs;
- Investors required time for, and needed to commit resources to, the due diligence necessary before making an investment and this presented a challenge to the commissioning time line. Investors were not ready to commit the resources necessary to assessing risk until they were able to be certain that providers had been successful;
- The development of the SIB required a high level of investment from all stakeholders –DCLG in developing the model; GLA in developing and undertaking a new commissioning structure; providers in developing a tender for a PbR contract (including within the commissioning structure); providers and investors in negotiating and agreeing investment;
- The strategic interest of providers and investors in the SIB as a new and pilot product that will provide learning for future commissioning and investment opportunities. As an early example the SIB, as with others, has required a degree of subsidy to support it.
- The commissioning process has been successful in procuring two providers, with a range of social investors and a sharing of risk between providers and investors. Although there was a single procurement process and set of requirements there are two very different structures, demonstrating the diversity of SIB models.
- The development of the SIB fits with best practice criteria that have been proposed for SIB products (structure identified above at 3.6.4 and amended below as Table 4.2)

Table 4.2 How the development of the SIB met suggested best practice

Feasibility Criteria	Key questions	London Homelessness SIB Process
Policy success	▪ Is there a clearly defined SIB target population?	✓ ✓
	▪ Are there measurable SIB outcomes?	✓ ✓
	▪ Are there innovative interventions that are not used today?	
	▪ Can a counterfactual be measured?	

Feasibility Criteria	Key questions	London Homelessness SIB Process
Provider market	<ul style="list-style-type: none"> Are there providers/ delivery partners that would be able to deliver the programme? Is there a workable structure for the delivery model? 	✓ ✓
Financial case	<ul style="list-style-type: none"> Is there a financial case from a commissioner's perspective? Is there a financial case from an investor's perspective? Is there a workable commercial model from a provider perspective? 	✓ ✓ ✓
Stakeholder support	<ul style="list-style-type: none"> Do staff support the SIB project? Do the target population support the SIB interventions and project? 	✓ ✓

The evaluation of the SIB will provide learning for commissioners, providers and investors engaged, but also for wider stakeholders across these groups. The learning to date is discussed in section **Error! Reference source not found..**

5 Delivering the London homelessness SIB

5.1 Introduction

This section provides a detailed overview of the structure and key features of the two SIB providers' models, before reviewing performance in the first year of implementation. Findings from the fieldwork with the providers and partners are also included in the review of performance to identify areas of success and continued challenge.

The SIB rationale, target cohort and rationale were introduced in section 1.

5.2 Delivery models

As section 4 described, the specification for the SIB provision required a 'Navigator' key worker model, building on a review of effective practice. Consequently, the delivery models and approaches followed by the two providers feature several common features, with similar underpinning principles. At the heart of the Navigator model is a flexible, personalised approach that engages with and supports members of the cohort to achieve positive, sustained outcomes.

This section sets out the overarching delivery models for each SIB provider, before exploring in more detail how they are working to achieve each of the five programme outcomes.

5.2.1 The overarching delivery model

The providers' delivery models have a set of common features, including:

- The '**personal navigators**' as **key workers** to engage clients and work with them on a sustained basis to support access to the services that support a pathway away from rough sleeping to sustained, long term outcomes. The navigators facilitate, support and broker resources as required, drawing on provision available in-house or from other providers as appropriate – and have the flexibility to engage at points when the client is in danger of falling back and returning to a street lifestyle. The navigators can also use personalisation funding to purchase provision and provide incentives that help achieve and sustain outcomes.
- A **personalised and 'client centred' approach** – the navigator approach aims to provide support that is tailored to the individual client, based on a holistic understanding of their needs and experiences. The use of personalised budgets, and individually tailored intervention plans, are central features of both provider models. This allows additional services to be procured as appropriate to the client and aims to promote independence and encouraging a sense of personal responsibility.
- The personal navigators have **individual caseloads of clients, and work in partnership with existing services and providers** to ensure that their clients receive the help and advice they need in order to enter accommodation and gain employment. This also allows a multi-agency case management approach to be developed, with the navigators liaising between the client and range of providers to ensure an integrated and holistic approach is followed. It is important to note that

the personal navigator does not take over responsibility for the client and provide the services required, but rather works in partnership with services and their staff already providing support to the client to ensure the best outcome for the client.

- The personal navigator **engages with their clients through an initial meeting with the client and their current service provider** (for example, if the client is in a night shelter, the meeting will be between the client, the personal navigator and the night shelter staff). At this meeting, the personal navigator will establish what the client wants to achieve (for example finding stable accommodation, gaining employment, or reconnection with their home country), and what the navigator can do to help the client achieve these aims (for example through overcoming substance abuse issues or gaining the skills to obtain employment). The personal navigator will then work with other service providers to ensure that the client accesses the services they need to achieve their aims.
- The approach is **flexible and responsive** to individual clients – reflecting the personalised approach, there are not set pathways for support. While this makes the individual delivery models hard to describe, the approach offers the degree of flexibility and tailoring. It means that both the content of the support and its scheduling are not set, which individuals within the cohort require if outcomes are to be achieved and sustained. It also allows changes in client needs over time to be reflected in the services offered to them – for example once accommodation has been secured, attentions can focus on other issues, such as alcohol or substance abuse, that need to be addressed before progress can be made towards securing employment.

Consequently three main features are identified by providers as differentiating provision under the SIB from existing support for rough sleepers:

- The **ongoing relationship between the client and the personal navigator** – rather than the previous position where clients would receive support from one individual / provider for a particular service, and another for a different service (for example, support from one provider for assistance with a drug or alcohol problem, and another for help with accommodation). The SIB approach offers the benefits of providing a single point of contact for the client, making them more aware of the range of services available to them and helping ensure that the services that they access with navigator brokerage or support are integrated and directed to meeting client needs in a holistic, coordinated and effective manner.
- The **focus on sustained outcomes** – traditionally support from one worker would not necessarily continue once clients enter accommodation or employment, as providers either would not have the capacity to maintain support or were not incentivised to do so. As the PbR element of the SIB places the emphasis on securing sustained outcomes, personal navigators continue to provide support after an initial outcome is achieved. The focus is on reducing the risk of clients returning to rough sleeping and providing a rapid and informed response.
- An **emphasis on flexibility** – as demonstrated through the personal navigator approach and the ability to use personal budgets, and reflected in the PbR payment structure. As payments under the project are tied to outcomes achieved rather than activities delivered, the personal navigators have more freedom than in traditional

service models to try new and innovative approaches in order to achieve an outcome.

Although features of the support model are not new – indeed the broad themes were based on learning from effective practice – their combination in providing a long-term focus on sustained outcomes is the innovation. Providers who contributed to the evaluation research were positive about the potential of the model to add value to existing support to help clients achieve stable accommodation, employment and wider outcomes.

An important aspect to delivery is that navigators need to persuade members of the cohort that this is a new offer of support. Many of the cohort will have had some previous engagement with services. Some will have chosen not to engage and others may have had negative experiences because services did not meet their needs. The flexibility of the support and the availability of personal budgets are seen as crucial to demonstrating this new approach.

One difference between the two provider models is that while St Mungo's are paying partners and other providers on the basis of outcomes achieved for cohort members, Thames Reach are not; their view is that the organisations they are working with are already funded for the activities they undertake.

5.2.2 Delivering the five outcomes

The providers' approaches to achieving the five programme outcomes are described below.

Outcome 1 - Reducing rough sleeping

In both cases the personal navigators use their knowledge and experience to engage with individuals from the cohort and, through a combination of their own provision and that of other partners and providers, secure accommodation for them as the first step towards sustainable recovery. Consequently collaborative working with existing service providers is key – both in helping identify and engage with members of the cohort and securing accommodation on their behalf. This may include undertaking case reviews with providers already engaged with cohort members in order to identify appropriate pathways to recovery. Individual recovery plans are also developed with clients, which will include initial offers of accommodation (or reconnection as appropriate).

As the majority of the members of the cohort will face multiple barriers, the personal navigators must also seek to ensure that these barriers, such as substance misuse issues, are addressed as an important step in preventing them from returning to a street lifestyle.

In some cases the navigators may have to challenge the views of existing service providers to ensure that clients get into accommodation (for example, when the client states that they want to sleep on the street, some existing service providers may accept this assertion due to capacity issues).

Outcome 2 - Into stable accommodation

Following initial engagement, the personal navigators provide advocacy to clients to help them secure and sustain stable accommodation. Activities to initially get clients into stable accommodation include: providing advice on how to access housing benefits; providing

basic household goods to furnish a new tenancy; advocacy when negotiating with private landlords (providing an extra guarantee to the landlord that the client will be an acceptable tenant, addressing issues that had previously led to exclusion with a landlord, or negotiating a reduction in rent), and for a limited number of clients provide the money for a deposit (this is very rare). Commonly this comprises an initial move into temporary accommodation to get the client off the streets, followed by moves into longer term accommodation. There is flexibility in the types of accommodation that can be accessed for clients, so that different tenancies can be matched to client need.

The personal navigators continue to provide support that aims to ensure a sustained accommodation outcome, including dealing with triggers that might cause the client to leave their new home (for example by providing support and information to clients to deal with utility bills). Additional services include specific tenancy support staff to help clients into new accommodation, and in the case of St Mungo's clients can receive support from complex need workers with skills in working with mental illness and non-engagement.

Additional activities ongoing or proposed include:

- Holding networking events with hostel and shelter managers to inform them of the SIB, and introduce an identification and early warning system to reduce the risk of abandonment and eviction;
- Key workers will be briefed by the SIB on the additional support available to clients including debt management, training, health and resettlement; and
- In the case of St Mungo's, establishing a Dreams and Aspirations fund where all clients achieving accommodation outcomes will be rewarded with a monthly contribution to a savings pot, which can be used to realise a stated goal, aspiration or dream.

Outcome 3 - Sustained reconnection to home country

Thames Reach has an existing 'London Reconnection Team', established to help vulnerable EU Nationals who are sleeping rough and expressing a wish to return to their home country.⁶⁹ Building on this expertise, the SIB team includes a Reconnections Navigator. The navigator provides assistance to the personal navigators to help clients reconnect with their home country, a process which begins with the navigators discussing the potential benefits of returning to their home country with clients before supporting them to do so. However, as will be discussed in Section 5.6, this activity has proved to be particularly difficult as suitable clients are often reluctant to leave the UK.

St Mungo's can draw upon their Street Legal⁷⁰ and Operation Ark⁷¹ services, and work with enforcement agencies and other partners (such as Refugee Action, London

⁶⁹ This service is commissioned by GLA to provide reconnection support across London.

⁷⁰ Street Legal seeks to address the challenge of rough sleeping by non-EU nationals, many of whom come from the Indian subcontinent and may have an unknown or irregular immigration status, by providing help with complex legal issues and support to get individuals into accommodation.

⁷¹ Operation Ark seeks to address the issue of rough sleeping amongst migrants from the European Economic Area, by either getting individuals to exercise their treaty rights away from the streets, assist those to voluntary return home and administrative removal for those who refused to do any of the above.

Reconnection, faith and community groups and in-country accommodation and support agencies) to support clients to return to their home countries. Clients will be case managed through interim UK accommodation to home, where they will be assisted to find accommodation and/or treatment. Their approach will depend on the nationality and circumstances of the client involved:

- Reconnections for EEA nationals will be arranged directly or through partners in the UK (Barka, Thames Reach London Reconnection Team), and for those outside the EEA through links with Refugee Action's Choices programme.
- For clients not wanting to return to EEA countries, and who have failed benefit claims, St Mungo's Operation Ark approach will be used, with recovery plans to address barriers to return being developed, and involving police around ASB and UKBA officers as they take individuals through the 'minded to remove' process.
- Street Legal - In partnership with UKBA and Refugee Action, the resolution of cases will be overseen where clients have irregular immigration status.

Outcome 4 - Progress towards employment

Personal navigators at both providers use considerable flexibility in order to achieve the employment outcomes. Activities include: helping people with job searches; helping with enrolment, for instance form filling or accompanying the client to a meeting; referring them to courses to acquire skills for the workplace (for example Thames Reach has its own employment academy); buying clothes for interviews; buying equipment for jobs; providing travel passes so that clients can get to work before they are first paid; paying for the 'Construction Skills Certificate Scheme' (CSCS Card) required for employment in that sector; and ongoing support to ensure the client remains in employment.

In the case of St Mungo's, key services include skills development, help into work and in-work support provision – with clients being given priority access to a range of proven partner programmes from Crisis, St Mungo's Recovery Challenge/Pathways to Employment, and programmes from The Passage, CSTM, Manna and West London Day Centre.

As the partners in the bid are significant employers in their own right, volunteer placements and access to apprenticeships are also offered. Access to three and six month volunteer placements through partners and providers are also intended to be ring-fenced for members of the cohort. Current programmes will also be supplemented by an Employment and Training Fund to facilitate the take-up of work (for example by funding travel costs) and to pay agencies to deliver the work outcomes for clients.

Thames Reach have an apprentice scheme which facilitates work placements, and links with 'business supporters' who have helped devise a Work Ready Programme.

Outcome 5 - Better management of health

The Thames Reach personal navigators do not carry out any activities that are directly related to achieving the health outcome. Their model is premised on the rationale that work towards the employment and accommodation outcomes, which would include work

around mental health and substance abuse problems, will support the achievement of the health outcome target.

In the case of St Mungo's, clients are intended to receive health checks through Homeless Healthcare's⁷² Street Med service, which will work to ensure consistent and appropriate approaches to GP and hospital access and discharge. A specific peer support programme is also proposed to target frequent visitors to A and E, and the project also includes a specific health worker to caseload high profile clients to ensure all receive clinical health assessments.

5.3 Staffing

Both providers have established new teams for the delivery of the SIB, as described below. In both cases the SIB teams are also able to draw upon the wider resources of their home organisation – which include their existing portfolios of accommodation and other services, and the skills and knowledge of other members of the organisation.

5.3.1 St Mungo's

At St Mungo's the SIB was designed to be overseen by two managers:

- One focussed on the initial journey from the street into accommodation – the outreach activities to engage with members of the cohort and help them progress into initial and longer-term accommodation; and,
- A second focusing on sustaining clients within the accommodation, as well as providing ongoing support to help their clients' progress towards employment, where appropriate. Sustaining the accommodation requires a wide range of responsive support, including addressing health and substance misuse issues.

In practice these two roles have not been kept discrete. Because navigators support clients from first contact to sustained outcomes, in practice the managers' roles overlapped and now there is a more shared approach with each supporting a group within the team. The team comprises 10 staff members – seven outreach/tenancy support workers, each of whom have caseloads of between 30 and 40 clients, and headed by two managers (one leading on the street outreach work and the second leading on the tenancy support element). An additional member of staff is responsible for the collection and analysis of performance data, including the compilation and presentation of information to evidence the achievement of the project outcomes.

The St Mungo's team were recruited specifically for the SIB, which was considered by the staff interviewed to be a strength as it allowed them to 'buy in' to the project from the outset. As well as recruiting staff with previous experience of working with rough sleepers, two individuals were seconded from The Connection at St Martins and the Passage (service providers) respectively. These individuals were selected on the basis of their pre-existing relationships with clients within the cohort. In addition, two of the outreach workers were recruited specifically to work with people from outside the UK (mainly ECE countries) with language support needs. Consequently the St Mungo's team are allocated

⁷² A new CIC established by St Mungo's in partnership with Gt Chapel Street.

to individual clients on the basis of their areas of specialism, as well as their geographic distribution.

5.3.2 Thames reach

The Thames Reach SIB team comprises seven 'personal navigators', a 'reconnections navigator', an intern and dedicated administrator, and a manager who is responsible for the delivery of the project. Each navigator has a caseload of between 50 and 80 clients, assigned broadly by geographic location (i.e. staff are allocated clients in one or two London Boroughs).

Unlike St Mungo's, the delivery team were drawn from existing Thames Reach staff. In common with St Mungo's they all have experience of working with rough sleepers and connections to wider provider and support networks within their respective catchments. For example, Thames Reach has a specialist reconnections team who can provide additional advice and support.

The SIB manager works closely with Thames Reach's Pan-London Outreach Area Manager, both of whom report to the CEO and Director of Outreach and North London Services.

5.4 Governance and management

The SIB requires a specific form of governance that is particular to its structure as a SIB – the management of social investment – and as a PbR contract – the management of an outcomes-based contract. Governance takes place at two levels – between commissioner and provider (PbR); and by the provider organisations in managing the contract (PbR and SIB).

5.4.1 Commissioner governance

As outlined in previous sections, PbR contracts are new in public service commissioning. The SIB was the first PbR contract for homelessness at GLA and, although there were some examples to draw on, it remains a new approach presenting challenges to traditional commissioning and contract management practice.

The GLA has established the following governance structure for the SIB contract: a Project Board; and, a Project Group. There is also a dedicated monitoring structure in place.

5.4.1.1 The Project Board

The Project Board meets quarterly to review progress against the outcomes and to address any issues that are identified by GLA or the providers. The Board is formed of GLA, DCLG, the London Borough of Westminster and officers from two London Boroughs who were involved in the development of the SIB (selected for their background in the SIB rather than their particular boroughs (Lambeth and Tower Hamlets)). The Board takes a strategic approach identifying issues that require GLA intervention and supports coordination across boroughs and wider stakeholders, addressing issues raised by the more operationally-focused Project Group. As well as ongoing strategic oversight, the Board will include specific agenda items at different times to explore emergent issues. For instance, the Board has invited the providers and their investors to attend to understand their experiences to date.

A key issue for the Board, from the Project Group, has been the evidential requirements for the PbR metrics. A number of changes have been made in recognition of the issues providers raised in light of delivery. For instance, it emerged early in delivery that some of the cohort were already being supported through 'Housing First' pathways (see 2.3.1), which offer an alternative route away from the street to accommodation without hostel placements. As a result, there was some confusion amongst clients as to their keyworkers and the support being provided. The Board agreed that 'first contact' recorded by Housing First workers would count, so that there were not multiple workers attempting to make and record this. There have been two amended drafts of the evidential requirement agreed by the Board. The amendments are seen by the Board as reflecting the learning taking place through the contract and the responsiveness within the contract governance to addressing challenges as they emerge. This is also recognised by providers: *'We're all learning as we go along'*.

The Board have expressed an interest in how the performance of the providers to date is impacting upon their cash-flow. The GLA and Board are committed to the success of the SIB and wish to ensure that the providers are able to maintain their staffing levels and deliver a successful intervention. They cannot require this and at the time of writing the providers were yet to agree to this recent request. For one provider, the GLA are still adapting to a different role as commissioners: without providing upfront investment *'they can be less inquisitive about how we're spending our money'* (Provider).

5.4.1.2 The Project Group

The Project Group meets quarterly, to inform the Project Board. The Project Group has an operational focus and is attended by the providers, GLA and DCLG. It is intended to provide a forum for the providers to raise and share problems impacting upon the delivery of the SIB as well as sharing learning about effective practice, in support of the success of the programme for the cohort.

To date, the focus of the Project Group has been on reviewing issues impacting upon the delivery of outcomes and the evidential requirements, which have been considered by the Board (as outlined above). There has been some sharing of practice, with providers willing to share their experiences but also caution in the earliest stages about sharing some of their information. Nonetheless differences in approach have been shared and discussed, for instance St Mungo's creation of a fund to pay partners for their contribution to outcomes.

5.4.1.3 Monthly monitoring

GLA has created a dedicated post for monitoring the two SIB contracts. This is in contrast to other contracts for homelessness services, all of which are covered by a single post. The post was created because the evidential and monitoring requirements are *'much more onerous than a standard contract'* (GLA). A high demand for contract support was anticipated, but the work required was more demanding than expected and the dedicated post was created during the first quarter of the contract with the officer coming into post at the start of quarter 2.

Each quarter the providers submit their outcomes, which are confirmed via CHAIN (other than the health outcome). A bespoke module within CHAIN was commissioned by GLA to support the monitoring of the SIB contracts. This is the sole database for the SIB and acts as a case management tool for the providers. The providers also submit a narrative of their performance over the quarter.

Checking the evidence of outcomes against those claimed by providers is time consuming. There have been mistakes in what is claimed, due to issues with some of the evidence provided (meeting the strict requirements), inconsistencies in dates and other administrative errors. This was particularly the case in the first quarters as all parties became familiar with the detail of the evidence and issues were identified with providing what was required. Similarly, providers describe checking approved payments as time consuming

GLA meet with the providers separately each month to discuss their monitoring return. The monitoring data is then reviewed at the Project Group and then at the Project Board. Whilst monitoring and evidencing outcomes is key to the providers – there are no payments without them – there is a view that GLA are still adapting to a different role as commissioners of a SIB, where they can make fewer demands in terms of monitoring and scrutiny; a central tenet of PbR is that the focus is on claimed outcomes only with providers free to adapt their delivery as appropriate (as long as this remains in line with principles of ethical practice).

5.4.2 SIB governance

For the providers, the governance for the SIB contracts is linked to the different structures in place for the contract. The management of the contract in delivery terms, and how this impacts upon monitoring progress towards and achievement of outcomes is explored above.

For St Mungo's, the SPV holds the contract and this provides the governance. The SPV Board is made up of representatives from the two institutional investors and from St Mungo's. The Board meet every six weeks to review performance and manage the contract with St Mungo's. More informal updates are shared between the meetings. This was reported to be working well by all of the provider and investor participants in the evaluation research. It was seen to provide the oversight necessary and an appropriate structure for monitoring performance.

For Thames Reach, the SIB contract is a dedicated item on the finance sub-committee, which receives information on results and expenditure and income versus budget. The committee reports to the Board, reflecting the strategic importance of the contract and the financial risk involved. Big Issue Invest has a representative who is present at both the finance sub-committee and the board meeting, as a condition of finance. The representative is reported to make valuable contributions to the meetings, as well as receiving updates on how the project is performing.

At the time of the data collection for this report, the providers were coming to the end of the first year of delivery and this was going to provide an opportunity to review performance. All stakeholders were broadly happy with performance to date but saw the second year as the time when achievement against outcomes and the management of cash flow would provide higher demands on all involved. The different governance structures were both expected to provide an appropriate structure for identifying and addressing any issues that emerge.

5.5 Partnership working

This section explores the nature and experience of partnership between external organisations and the SIB providers. First the perspectives of the local authority staff interviewed are reviewed, followed by those of organisations involved in the delivery of services on the ground.

5.5.1 Local authority perspectives

The London boroughs are key partners in the SIB. They are commissioners of the wide range of locality services and partners in the pan-London initiatives that provide: the context for the SIB; and the network of provision that Navigators aim to support the cohort across (see Section 2 context). Four London boroughs participated in this first stage of the evaluation and over future waves all the key boroughs will be included.

The boroughs that participated in the research had broadly positive views of the SIB, although there had been differences in the earlier stages. In the main, there were concerns in the early consultation and development stages about: the focus of the SIB intervention as a new funded initiative; the PbR structure; and, the impact of the SIB on the existing landscape of provision.

5.5.1.1 The SIB as a new initiative

Concerns about the SIB as a focus for new funding centred on the view that if there was money available to address the problem of rough sleeping, then London boroughs would welcome this as additional funding rather than being provided for a new initiative. There was a view that, rather than add value, the SIB would duplicate existing work and further complicate the landscape of provision. This view is still held by some within the boroughs. But, broadly, the boroughs felt that the consultation period had involved them in developing the SIB and this was welcomed. Over time attitudes had also shifted; firstly, due to an acceptance that the SIB was going to happen; and then later, that as it was happening the additional resource should be welcomed. The boroughs' attitude, apart from the degree to which they welcomed the SIB, was that there was now additional support and there needed to be a positive engagement with it to make it work for borough clients. There were concerns, mirroring those of other stakeholders (see Section 3) about the role of social investment in taking funding out of the programme through fees and returns ('leakage').

5.5.1.2 The PbR structure

Concerns about the PbR structure broadly mirrored those of providers who were engaged in the development and commissioning of the SIB (see Section 3). There were concerns in the early stages that the outcomes focus of the PbR would create the wrong incentives in driving outcome-focused behaviour over client-focused ones. Again, these concerns were seen to have been taken into account during the consultation and development stages. As with the provider stakeholders, there was a broad consensus that this stage had produced a well-thought through set of outcomes and metrics. But there was not a consensus; there remains a latent concern for some that the outcomes may drive support towards outcomes that meet the PbR requirements rather than the client's needs.

5.5.1.3 The impact on the landscape of provision

The third area of concerns relates to the impact that the SIB may have on the services that are commissioned by boroughs – outreach teams, targeted initiatives and specialist

services. Again, views on the impact were mixed, and were reported to have developed over time from one that was quite oppositional – the SIB is not the right solution – to one that was more about joint working for the benefit of clients. Some borough outreach workers have joined the SIB providers' teams but this was not seen to have had a particularly detrimental effect. The main area of concern was where the SIB providers were not seen to have been proactive enough in contacting borough rough sleeping and homelessness leads to introduce the SIB and staff and to begin a dialogue to support joint working. For one borough this had been *'three months and that is just far too long.'* As with other concerns, this *'difficult start'* for some had been overcome through regular meetings and a recognition on both sides of the need for communication and coordination.

A related concern had been how the SIB duplicates effort and confuses clients who already have a key worker – through personalised approaches in existing provision or particular initiatives such as Housing First. The change to how 'first contact' is recorded for the PbR metrics (see 5.4.1.1) was recognised by the Project Board on the basis of both SIB provider and borough feedback on the issues that this was presenting. Two of the boroughs identified the higher level of support that the SIB was providing for the cohort:

'you're getting at least 50%, 60% more input from the workers than you would expect to see from normal clients, even one that's been advocated for, and most clients aren't advocated for in that, that vociferously... it's reassuring that you know that the workers are on it, that they're getting the job done and that they're working hard to get the job done, that's good' (Borough stakeholder).

This support was sometimes tempered by the view that with additional funds boroughs could provide a more intensive service. There was also a concern that, if successful, the SIB will be seen by some within local authorities as providing a model in itself for future funding, without recognising that it can only be successful with the network of provision in place. Nonetheless, there was also an appetite to learn from the commissioning model and to reflect on how outcomes-based models could be an effective approach to commissioning borough services. There was also interest in the learning that the SIB would provide about effective approaches, despite some scepticism that a new and well-funded initiative will always do well.

5.5.2 Delivery partner perspectives

The principle of partnership is central to both provider delivery models, with each describing how they work with partners across a range of services and activities. The initial fieldwork included interviews with a series of partner organisations who had worked with the SIB, and its clients, over the first year of operation. Overall it would appear that the 'partnership picture' across both projects continues to develop, as opportunities for shared working, and the understandings of available skills, experiences and resources, are developed further.

Representatives in a sample of eight partner organisations were interviewed, to explore their involvement in the work of either (or both) of the SIB providers and their impressions of delivery to date. The organisations were equally split between those who had worked with one provider and those working with both – although in the former case future collaborations were not ruled out. The partners interviewed included:

- Two day centre providers and a day and night centre (also offering skills training, careers advice and specialist services to address complex needs) – and working with both SIB providers;
- An additional day centre, also providing advice and support services to rough sleepers alongside an internal trainee scheme, and which is working with just one SIB provider;
- A provider which supports the medical needs of rough sleepers – and which is working with one provider;
- A provider that supports vulnerable people to access housing in the private rented sector and offers ongoing support to ensure tenancies are sustained;
- A representative of the UKBA – with oversight of UKBA activities across several London Boroughs; and,
- A representative of an education, training and employment support centre, part of a larger charity – and who have worked with one SIB provider in year one.

5.5.2.1 Development of the SIB

In several cases the partners interviewed had been approached by one or both of the SIB providers to be 'formal' partners in their bids, and which marked their introduction to the SIB. Others had engaged with the provider(s) during the first year of delivery. However, even when some form of partnership agreement was in place with one provider, at least one provider reported working with both providers where the opportunity arose.

As outlined above, some negative perceptions of the SIB were reported at the outset at least. However, the partners interviewed were more positive. Day centres reported that the SIB filled a gap in service provision. Previously, they found there was little long-term, ongoing support for clients in hostels/other accommodation. This resulted in a lot of *'bounce back to the streets from hostels'* and supporting this group provided a constant strain on resources. Since the SIB started, it has freed-up resources. One considered that the PbR component *"had more integrity than the street count"*, while another considered that the PbR model:

'appears to mean that there are fewer constraints – if the judgement is made that it's worth spending time with someone, this can be done.'

However, in a couple of instances concerns were raised over the potential for cherry picking and *'people fighting over outcomes'*; and, where the interviewees had a sufficient level of knowledge, that the PbR metrics could unfairly limit payment and potentially lead to the manipulation of the CHAIN data.

The interviewees were also broadly positive about the actual and potential role of social investors in the rough sleeping/vulnerably housed sector. One senior staff member in a large day centre commented that:

'the charity world needs to be open to new ways of doing things, and that as long as the investment is in the hands of trustworthy organisations with strong values'.

5.5.2.2 The SIB interventions

All but one of the organisations interviewed had direct experience of working with the SIB (the exception being the UKBA interviewee, who had a working knowledge of both of the providers). The intensity and nature of their collaborative work varied – ranging from providing outreach services through to specialist provision for individuals with health and/or complex needs.

Amongst the individuals interviewed experiences were uniformly positive. While one individual reported feeling '*kept in the dark*' about her potential involvement, she subsequently reported that her involvement with the SIB had been a positive experience. Indeed, the skills and dedication exhibited by the navigators and other project staff was roundly praised – with contributors being '*impressed with the understanding and knowledge of both teams*' who are '*very professional*', and that '*they put a lot of effort into the entrenched guys*'.

While the majority of comments were positive, attentions were also drawn to less positive experiences. These included '*rubbing some hostels up the wrong way*' in their efforts to move people on into secure tenancies, and concerns that, should some providers' inputs to the project be increased, they may need to impose some form of charge.

Some partners highlighted how St Mungo's is paying for a contribution for outcomes, whereas Thames Reach is not. There was some disappointment about this and a view that it was a helpful approach for St Mungo's to take. Partners are willing to work with the SIB for the benefit of clients – it is this shared commitment to outcomes that motivates them. The impact of this over time will be explored through subsequent phases of the research.

5.6 Performance and experiences of early implementation

This section reviews the performance of the SIB, and the individual providers, against the targets set for each of the five outcomes in year one of delivery. The experiences of the providers and their partners of early implementation are also reported, illustrating areas of success and common challenges faced in working with their respective target groups.

5.6.1 Programme performance in year one

The performance of the programme in its first year of delivery is summarised in Table 5.1 below. The table sets out, for each of the five outcomes: targets for year one by quarter and for all four years of activity; and, the achievements by quarter and year one total. The table is based on programme monitoring data.

It is important to note that the data reflects the outcome metrics of the PbR model and as such does not capture the scale of work being undertaken, for instance towards entry to sustainable accommodation.

Table 5.1 Programme Performance Year One

	Q1	Q2	Q3	Q4	Total Year 1	Total All Years
Rough sleeping (bedded down street contact)						
Target below baseline	0	46	83	121	N/A	--
Baseline	258	258	258	258	N/A	--
Numbers sleeping rough	330	233	193	176	N/A	--
<i>Reduction in rough sleeping below baseline</i>	<i>0</i>	<i>26</i>	<i>65</i>	<i>82</i>	<i>N/A</i>	
Stable Accommodation						
Target for entering stable accommodation	10	16	34	34	94	306
<i>Entering stable accommodation achieved</i>	<i>8</i>	<i>42</i>	<i>44</i>	<i>45</i>	<i>139</i>	
Target for 12 month sustainment						265
Target for 18 month sustainment						191
Reconnection						
Initial reconnection target	26	26	26	26	104	178
<i>Initial reconnection achieved</i>	<i>8</i>	<i>8</i>	<i>15</i>	<i>15</i>	<i>46</i>	
Number returned	6	0	0	1	7	
6 month sustainment target	0	0	24	24	48	158
<i>6 month sustainment achieved</i>	<i>0</i>	<i>0</i>	<i>5</i>	<i>8</i>	<i>13</i>	
Employment						
NQF target	2	2	3	3	10	39
<i>NQF achieved</i>	<i>0</i>	<i>0</i>	<i>1</i>	<i>0</i>	<i>1</i>	
Volunteering/self-employment 13 wk. target	0	5	11	12	28	150
<i>Volunteering/self-employ 13 wks achieved</i>	<i>0</i>	<i>0</i>	<i>4</i>	<i>3</i>	<i>7</i>	
Volunteering/self-employment 26 wk. target	0	0	4	4	8	64
<i>Volunteering/self-employ 26 wks achieved</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>1</i>	<i>1</i>	
Part time 13 weeks target	0	2	3	4	9	39
<i>Part time 13 weeks achieved</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	

	Q1	Q2	Q3	Q4	Total Year 1	Total All Years
Part time 26 weeks target	0	0	2	3	5	36
Part time 26 weeks achieved	0	0	0	0	0	
Full time 13 weeks target	0	0	2	2	4	31
Full time 13 weeks achieved	0	1	1	5	7	
Full time 26 weeks target	0	0	0	3	3	27
Full time 26 weeks achieved	0	0	2	2	4	
Health (annual target)						
Target below baseline					705	2,745
Baseline					TBC	TBC
No A and E episodes					N/A	
Reduction of A & E episodes below baseline					N/A	

Source: GLA

Performance for each outcome in year one is summarised below:

- **Outcome 1 - Reducing rough sleeping** – the reduction in rough sleeping outcome is assessed on the basis of the number of individuals within the cohort found to be sleeping rough against an initial baseline assessment. The programme fell short of the quarterly targets for reducing incidents of rough sleeping below the baseline measure, with 82 fewer clients being identified (against a target reduction of 121, representing 68% of target reduction).
- **Outcome 2 - Into stable accommodation** – here the target set for clients entering stable accommodation has been exceeded, with 139 individuals entering accommodation against a target of 94 (representing 148% of the year one target, and almost half (45%) of the target for Years 1 to 4). This performance is encouraging, and emphasises the priority placed by both projects in securing accommodation as the first step on the road to sustained recovery for individual rough sleepers.

Subsequent stages of the evaluation will report the extent to which these outcomes have been sustained at the 12 and 18 month points.

- **Outcome 3 - Sustained reconnection to home country** – performance under the reconnection outcome has fallen behind target, with 46 initial reconnections being achieved against a target of 104 (representing 44% of target), although seven of these were subsequently found to have returned to London. Performance is also below target for six month sustained reconnections, with 13 being achieved in year one against a target of 48 (27%).

- **Outcome 4 - Progress towards employment** – although performance for qualifications achieved, and volunteering and part-time employment secured, has been below target, the targets for full time employment (although based on small numbers) have been exceeded.
 - Just one individual secured a qualification, against a target of 10.
 - Seven individuals achieved the 13 week volunteering and self-employment outcome (against a target of 28), with just one achieving the 26 week target (a target of eight).
 - None of the individuals achieved the targets set for part-time employment, which were set at nine for 13 week and five for a 26 week sustainment in year one.
 - However, both targets for sustained full-time employment were exceeded. Seven individuals achieved the 13 week sustained full-time employment target (compared to a target of four), and four achieved the 26 week target (compared to a target of three).

The performance against the full-time employment targets represents good progress, as this outcome is considered by providers and stakeholders to be the most challenging to achieve given the characteristics of the cohort. However, performance is more disappointing for the qualifications, volunteering/self-employment and part-time work outcomes, which can represent steps towards employment for individual clients.

- **Outcome 5 - Better management of health** – The health metric will be a baseline created by using data provided by the Department of Health (DoH) of A&E admissions by the cohort. There has been a period of negotiation with DoH by GLA and DCLG to obtain this data. It is expected in April 2014. This will provide both the baseline for the cohort previous to the SIB and for A&E use in year one (and then annually).

5.6.2 Performance by provider

Having reviewed performance at the programme level, the performance of the individual SIB providers is reviewed below, for each of the five outcomes. Findings from the qualitative fieldwork with providers and partners is also used to explore areas of particular successes, and of challenge, experienced in year one.

5.6.2.1 Outcome 1 - Reducing rough sleeping

Both providers struggled to meet their quarterly reduction in rough sleeping targets, although St Mungo's exceeded their target in quarter four. Although performance for both providers can be seen to have improved throughout year one, both reported a series of challenges in meeting their targets.

Table 5.2 Performance Year 1 – Reduced Rough Sleeping (by quarter 2014)

Quart er	St Mungo's		Thames Reach		Combined Total	
	Targe t	Achiev ed	Targe t	Achiev ed	Targe t	Achiev ed
1	0	0	0	0	0	0

	Quarter	St Mungo's		Thames Reach		Combined Total	
		Target	Achieved	Target	Achieved	Target	Achieved
Reduced rough sleeping (number below baseline per quarter)	2	0	0	46	26	46	26
	3	23	31	60	34	83	65
	4	58	35	63	47	121	82

Experiences of implementation – successes and challenges

Despite facing considerable challenges in year one of delivery, the provider staff interviewed considered that positive progress was being made and that they were having a *"real impact on some of the really long term rough sleepers"*. In the case of St Mungo's, staff reported that a third of all their clients had been seen sleeping rough only once in the preceding quarter – meaning they were no longer classified as rough sleepers.

However several interviewees across both providers felt that the indicator used to evidence this particular outcome was not an appropriate measure of progress. Two issues were commonly raised – the first being that in their view a single incidence of rough sleeping does not mean that considerable success has not been made with the client. It is not uncommon that clients may spend the occasional night rough sleeping, and this may be due to a range of reasons. In addition, the measure does not consider the client's previous rough sleeping history, for example client previously bedding down every night prior to the SIB intervention, and only doing so sporadically afterwards, represents a significant degree of progress. Although allowing an outcome to be recorded for up to two nights identified rough sleeping was felt to be helpful, several interviewees felt that the measure should be based on a statistical trend rather than individual rough sleeping incidences. This has been rejected by GLA and the Project Board on the basis that the metric was developed through the consultation period to take account of: the baseline position of expected rough sleeping by the cohort; the risk that the SIB itself would result in higher incidences of recorded rough sleeping due to individuals receiving additional focus; the close correlation in CHAIN data for this cohort between being seen once and more than once.

Several aspects of SIB provision were felt to be particularly helpful in progressing clients towards reduced rough sleeping outcomes. First, the ability of the SIB to offer more flexible accommodation, both in terms of type and area, means they are better able to offer individuals alternatives to sleeping on the street. The nature of the navigator role was also key in terms of developing relationships of trust, and credibility with their clients, to both support the transition into accommodation and ensure it is sustained. These integrated and long term links were considered to be beyond the remit of traditional outreach teams and approaches. Finally, establishing positive working relationships with existing outreach providers was widely considered to be crucial to success, to allow opportunities to intervene and facilitate routes off the street in partnership with other outreach teams.

Nevertheless a number of challenges in achieving this outcome were described, expressed in terms of 'client level' and 'sector level' factors, reflecting the context for the SIB. The **client level factors included:**

- As outlined above, entrenched rough sleepers, who may be in a hostel or other secure accommodation, may choose to bed down on the occasional night for random or arbitrary reasons, for example following sessions of alcohol or substance abuse or because they are lonely and want to be with their former peer group.
- An example was cited of individuals found 'slumped' on the street being recorded as rough sleeping on the CHAIN database, when in reality they were under the influence of alcohol or drugs.
- Certain clients, particularly those with alcohol or drug dependencies or with mental health issues, may also exhibit unacceptable behaviour which can lead to their eviction from hostel accommodation.
- In other cases some rough sleepers will not use hostel provision – for example due to language barriers or the lack of the right kind of support.

The **sector level factors** reported included:

- The need to change or challenge attitudes to reduce rough sleeping amongst existing agencies – where there may be an acceptance (or even collusion with a client) that individuals want to remain on the street. Whether this is due to time/resource constraints amongst existing providers, or a 'territorial' mind-set at the borough level, is not clear – for example staff at Thames Reach described how part of their role was to use evidence of progression to influence the behaviour of other outreach providers.
- As suggested above, people are recorded onto CHAIN as bedded down even when they might not be – as in the example above. This is considered to reflect a need to demonstrate that an outreach worker is making contacts – i.e. a traditional output form of service monitoring rather than an outcome based approach. There was also a concern – of a broader nature – that some outreach teams are not intervening with clients that they do see as they know they are 'SIB clients' and thus are not doing the 'shake and wake' that is expected.
- People being incorrectly identified on CHAIN, which can result in a SIB client being registered as bedded down when in fact they have been mistaken for someone else.
- The lack of hostel accommodation for couples can mean that individuals in relationships may be tempted to sleep rough in order to spend a night together.

5.6.2.2 Outcome 2 - Stable accommodation

The strong performance against this outcome at programme level is reflected in the achievements of both providers. As Table 5.3 shows, both exceeded their targets with St. Mungo's achieving 78 individuals (122% of target) and Thames Reach 61 individuals (200% of target).

Table 5.3 Performance Year 1 – Stable Accommodation Outcome

	St Mungo's		Thames Reach		Total	
	Target	Achieved	Target	Achieved	Target	Achieved
Entering stable accommodation	64	78	30	61	94	139

This represents positive performance for both providers, with progress against their respective 12 and 18 month sustained accommodation targets being reviewed in subsequent reports. Because of the tariff associated with this outcome, it was identified as essential to focus on by the providers. The outcome brings a high payment, but it also underpins other outcomes of employment and health as they are dependent upon the client being able to manage themselves and live independently.

Experiences of implementation – successes and challenges

The first fieldwork with providers and partners allowed their experiences of delivery in the context of each of the five outcomes to be explored. In the case of the accommodation outcomes, the navigator model, and the opportunity to offer sustained support once an individual had secured accommodation, was seen as central to success. Key features across the two providers included:

- Working outside the traditional 'borough frameworks' – allowing providers to tailor their offer to clients in a way not always possible previously, as well as maintaining support if individuals move across borough boundaries.
- The allocation of named workers to particular hostels – where they can build relationships with both hostel staff and clients to identify when clients are ready to move on and into sustainable accommodation.
- The ability to work with landlords in different ways – including being able to support transition and to offer landlords additional security that issues will be addressed.
- The ability to match individual clients with a wide range of accommodation so that it best meets their needs, both aiding transition and helping avoid breakdowns in tenancies.
- The ability to effectively 'vouch' for clients - in terms of informing landlords that they will be supporting their clients on an ongoing basis, to help them secure appropriate benefits, pay bills as well as progressing towards work.

Both providers also emphasised the importance of preparatory work with clients to ensure they are ready for independent living. This can include teaching basic living skills such as cooking and washing, where the heightened level of personal support through the navigators is essential. The ability to work intensively with clients to prepare them ready for independent living also means that some can be referred to accommodation earlier than hostels might.

The ability to provide ongoing support after accommodation is secured, as well as advanced preparation, has been key, not least to help counter potential feelings of

isolation amongst those moving into new accommodation, but also to help ensure accommodation secured is sustained. Ongoing support includes reminding clients to log changes in circumstance so that benefits information is kept up to date, helping attend or address missed appointments and ongoing support with independent living skills. Although only anecdotal at this point, the provider staff interviewed reported that relatively few tenancies secured had broken down, which was considered to indicate that their approach was being successful. This will be explored in more detail once data is available on sustained accommodation at the 12 and 18 month points.

The providers also referred to the **ongoing challenges** in securing accommodation outcomes for their clients. These included:

- Despite the providers own provision and that of their partners and networks, the lack of affordable accommodation in central London remains a barrier. While both availability and cost are more favourable in the outer London boroughs, these may be areas which clients have no experience of or connections to.
- This can be a particular issue with clients from Central and Eastern Europe, who have been found to be more likely to be work ready, but language skills and the high cost of rent present barriers to securing accommodation and work.
- Identifying landlords who are prepared to accept what are perceived as 'high risk' tenants, particularly where no deposits are available, which may require a degree of persuasion and emphasising the continued support provided by the navigator.
- A shortage of accommodation to support individuals unable to live without considerable support but who are not actually eligible for more intensive support/social service care provision. This group includes individuals who cannot cope with hostel accommodation but are incapable of independent living, and as social service departments do not identify homelessness as a support need they do not always appear to work with housing provision in an integrated way.
- Examples were cited in regard to clients with particular needs, such as older entrenched rough sleepers suffering from long-term alcohol abuse, who lack life skills but are deemed by statutory providers not to have sufficiently high levels of need to require alternative support.
- There are specific issues relating to couples and to housing benefit. As couples must make joint claims for housing benefit, a relationship of co-dependency may develop which might not necessarily be in the woman's best interests – most notably where abusive behaviour and incidents of domestic violence have been identified.

Measurement issues

Generally the providers reported few issues with evidencing the accommodation outcome, with tenancy agreements commonly being available – for example in the case of St Mungo's, the link between payment and the receipt of tenancy documentation from providers (as well as evidence for other outcomes) was thought to offer effective leverage.

One issue emerging from the provider interviews was the difficulty of providing evidence for stable accommodation outcomes amongst some clients. This appeared to be primarily for clients living in private rented accommodation, who could be reluctant to provide the necessary tenancy agreement to evidence the outcome. There had also been a successful request for amendment made to the Project Board so that housing co-operatives could be recognised with a different form of evidence.

Similar issues were described for clients finding accommodation with a relative, as the relative has to provide written evidence that the client is living with them. While neither problem is insurmountable, and apply to a relatively small number of cases, they can cause problems and require additional effort from navigators.

5.6.2.3 Outcome 3 - Reconnection

Both providers fell behind with their initial reconnection and sustained reconnection targets, as Table 5.4 shows, with performance being stronger for Thames Reach than St Mungo's for both measures.

Table 5.4 Performance Year 1 – Reconnection Outcomes

	St Mungo's		Thames Reach		Total	
	Tar get	Achie ved	Targ et	Achie ved	Targ et	Achie ved
Initial reconnection	40	15	64	31	104	46
Number returned		1		6		7
6 month sustainment	18	2	30	11	48	13

For initial reconnections, St Mungo's achieved 15 of a target of 40, and Thames Reach 31 against a target of 64 (representing 38% and 48% respectively), while for six month sustained reconnections St Mungo's achieved two against a target of 18 and Thames Reach 11 against a target of 30 (representing 11% and 37% respectively). Seven clients reconnected were subsequently found to have returned – one St Mungo's client and six Thames Reach clients.

Experiences of implementation – successes and challenges

Both providers reported that activities under this outcome had been challenging, both in terms of achieving initial reconnections and ensuring they are maintained for six months. Thames Reach based their higher target on their experience with their existing reconnections service. Although the majority of those reconnected were yet to reach the six month point at the end of year one, the fact that just seven were found to have returned was considered a positive achievement after a slow start. Because of the tariff associated with reconnection, this was identified as a key focus for work in year two.

Both providers reported that achieving successful reconnections posed a variety of challenges, including difficulties convincing clients to return to their country of origin, and in collecting the necessary information to evidence reconnections once they occur. In addition, staff described how:

- Their experiences of working with individuals in the cohort suggested that many from Central and Eastern Europe had been on the streets for a long time, and so had become entrenched in patterns of rough sleeping. Consequently many of these clients have been found to have the same complex needs as other UK rough sleepers, making early reconnection unfeasible and requiring significant preparatory work.
- In addition clients, particularly those from Eastern Europe, may have arrived as part of a group, and without the compliance of the 'group leader' other members are unlikely to leave the UK.
- Similarly, many eligible individuals are reported to have been approached previously by other providers offering reconnection, so would either have already been reconnected or have experienced an unsuccessful reconnection before they were allocated to the cohort.
- An additional issue is that, despite efforts to convince them otherwise, clients may not want to be reconnected and, if they have the right to remain or are EU citizens, there is no obligation for them to return. In some cases this can lead clients to avoid contact with outreach and other support services, making the task of engaging with them more difficult.
- A seasonal influence was also suggested by several of the staff interviewed. Although the winter weather in the UK is not conducive to rough sleeping, it is often less severe than conditions in individuals' home nations when they are likely to be sleeping rough on return. This emphasises the importance of working with agencies in clients' home countries to ensure that accommodation is available for their return.

Measurement issues

Evidencing reconnection outcomes has proved challenging for the providers. Collecting information and the necessary paperwork from foreign countries, either from the relevant authorities or from clients' relatives, has proved to be difficult. Provider staff described writing to authorities and clients' relatives, and providing mobile phones to clients, so that they can confirm that they have been reconnected. However telephone calls can be expensive, as can text messages, and those reconnected rarely have access to email. There has been a change to the evidencing requirements, agreed by the Project Board, to pay the full fee when sustained reconnection has been achieved where there are problems evidencing reconnection itself.

5.6.2.4 Outcome 4 - Employment

Performance under the employment outcome varied by measure. As Table 5.5 shows:

- Just one individual achieved a qualification outcome (Thames Reach, vs. a target of 8);
- Seven individuals achieved the 13 week sustained volunteering/self-employment outcome, five for St Mungo's and two for Thames Reach (against targets of 13 and 15 respectively), and just one the 26 week sustained outcome (St Mungo's, against a target of zero); and

- None of the clients at either provider achieved a 13 or 26 week part-time employment outcome (against targets of nine and five respectively).

Table 5.5 Performance Year 1 – Employment Outcomes

	St Mungo's		Thames Reach		Total	
	Tar get	Achie ved	Targ et	Achie ved	Targ et	Achie ved
NQF	2	0	8	1	10	1
Volunteering/self-employment 13 wk	13	5	15	2	28	7
Volunteering/self-employment 26 wk	0	1	8	0	8	1
Part time 13 weeks	3	0	6	0	9	0
Part time 26 weeks	1	0	4	0	5	0
Full time 13 weeks	3	5	1	2	4	7
Full time 26 weeks	2	4	1	0	3	4

- Performance was stronger for full-time employment outcomes – and although the targets set were low both providers exceeded their targets for 13 week and 26 week full-time employment outcomes. For St Mungo's, five individuals achieved 13 week and four 26 week sustained employment outcomes (against targets of three and two respectively), and for Thames Reach two achieved a 13 week sustained employment outcome (against a target of one), although they did not achieve their target for one 26 week sustained outcome.

Experiences of implementation – successes and challenges

Both provider staff and partners recognised that the employment outcomes represented longer-term achievements, with it being more realistic to expect clients to move incrementally towards and into work over the course of the project. While clients were considered to be 'at different distances from the labour market', the majority were felt to be some way from being able to secure employment, with other issues needing to be addressed before employment could be achieved and sustained. Common challenges facing clients included having few qualifications and no or limited employment histories, in addition to the risk factors associated with rough sleeping (such as a history of life in care) and commonly combined with tri-morbidity (co-occurring psychiatric, substance misuse and medical illnesses), which together make finding and maintaining employment difficult.

In addition work with the client group, particularly at the early stages, often focussed on dealing with crises rather than on moving forward. In this context, some interviewees considered that targets (and expectations) had been set at too high a level for the first year of provision. For many clients more realistic outcomes were considered to be measures associated with 'progress towards employment' – for example attendance on skills-based, employability or confidence building training provision.

Several interviewees considered that the level of qualification required under the employment outcome was too high, with achievement at NQF Level 2 being beyond the reach of many clients. As clients may need to study towards lower level qualifications before progressing to Level 2 studies, achieving the NQF outcome will take more time and require additional resources. There is a concern to ensure that clients are only supported along these pathways when it is right for them. How this will play out as the programme matures will be explored in subsequent reports.

In some cases clients from Central and Eastern Europe were reported to face different challenges in achieving employment outcomes. In these cases, as with the accommodation outcomes, language and accommodation costs are the key barriers. Many of the cohort have been found to have the necessary work skills, especially in the construction industry, with the main issue being low wages compared to living costs.

A series of success factors/facilitating actions were identified by the providers, which included:

- Identifying the small minority of clients who have existing trade skills and providing support and hand-holding to help them get back into work (or to claim benefits should their employment break down).
- Working with employers – many employers have shown a reluctance to consider former rough sleeping clients for employment opportunities. St Mungo's work directly with some employers to persuade them to consider their clients and offer continued support, which in some cases has led to positive results.
- Forging links with organisations specialising in education, training and employment, particularly those working with homeless people – with St Mungo's describing how they had established links with organisations such as 'Sky Light' and their own 'Recovery College' to provide inputs on skills development, job matching, CV presentation and other employability support.
- Staff working with clients commonly reported that efforts to boost their confidence could be very important, and could be essential in supporting progress on the journey to employment.
- Facilitating access to English for Speakers of Other Languages (ESOL) classes where language is a barrier.

Measurement issues

Staff at Thames Reach reported facing challenges in getting the relevant paperwork to evidence employment outcomes secured. Clients are required to provide their payslips, which some are unwilling to do, and the navigators do not feel they can go to the client's employer without the permission of the client.

5.6.2.5 Outcome 5 - Health

As described above, while a numerical target has been set for a reduction in the number of visits to accident and emergency departments by members of the cohort, no baseline is currently in place and data is yet to be collected to evidence this outcome.

As it is intended that monitoring data against this outcome will be collected and reported annually, subsequent evaluation reports will explore the performance of the projects against the health outcome.

Experiences of implementation – successes and challenges

Both providers described how many of their clients have a range of health issues. In addition to some acute physical health needs, approximately half of the individuals they have worked with having alcohol related health issues and a further 25% having substance abuse issues. In addition, 44% of the initial cohort were recorded as having a mental health support need, almost one in five of whom were recorded as having high levels of need.

Consequently achieving improved health outcomes poses a particular challenge given the nature and current conditions affecting members of the cohort. The view emerged that the achievement of the health outcome is contingent upon the success the providers have in meeting other outcomes – i.e. people in more secure accommodation and off the streets will be safer and less likely to require accident and emergency provision. The navigators seemed to be less focused on this outcome than the others, seeing it as something over which they had little direct control.

St Mungo's have worked with a community interest company that supports the medical needs of homeless people across London. A representative of the provider was very positive about the partnership working and commented on the knowledge, skills and tenacity of the SIB navigators. In particular he reported that the SIB navigators have a *“really good command of entitlements and rights”* and can therefore act as effective advocates to help people access health and social care services.

Measurement issues

Currently there are no targets for the health outcome and, as described above, data is awaited from the Department of Health to allow performance to be assessed.

5.7 Summary

This section has provided an overview of the two delivery models and associated features of the two SIB providers, and explored performance to date in terms of achievements under the five SIB outcomes.

The key findings include that:

- There is a strong model of governance, with a Project Board (strategic) and Project Group (operational) bringing together providers and stakeholders and seeking to identify and address any issues that impact upon delivery.
- Both providers are following similar approaches and delivery models – based around a navigator model to provide continued support to members of the rough sleeping cohort. The models bring together different elements of best and effective practice; the innovation is in bringing these different elements together into a single, long-term support and coordination role.

- Both are following 'client centred' approaches to meeting needs, drawing on a range of internal and external support and provision, and continuing to offer support to clients to help ensure that the initial accommodation and employment outcomes achieved are sustained.
- Performance in year one of the programme, against the five outcomes and in the context of the targets set at the outset, has been variable. Areas of success included:
 - Moving clients into stable accommodation - where the providers achieved 169% of target;
 - Achieving sustained full-time employment outcomes at the 13 and 26 week points – where again the targets set were exceeded.
- The targets for reducing the numbers of rough sleepers, initial and sustained reconnections and other employment measures were not achieved. All will need to be focused upon in the second year of delivery.
- The providers described a range of challenges resulting from the nature of the target group and, in some cases, system-based barriers.
- Early reports from partners and stakeholders were broadly positive about progress to date. Although in some cases concerns were raised over potential negative aspects of the programme's PbR element, initial concerns were reported to have been addressed. Positive relationships have been developed and a shared commitment to outcomes for this group identified.

6 Client Perspectives

The evaluation includes fieldwork with a sample of the cohort who have been engaged by the providers, to explore their perspectives on the Navigator support they have received through the SIB intervention.

This section discusses key themes to emerge from the first fieldwork under this element of the research, and includes some illustrative case studies.

6.1 The sample

An outline of the characteristics of the cohort was provided above at section 2.2. For this element of the research, the evaluation team worked with each of the providers to agree a sample of the cohort. The research team received anonymised CHAIN data for the members of the cohort the providers were working with, from which a sample was constructed to reflect:

- A range of ages;
- Both men and women;
- A range of nationalities; and,
- A range of current housing status.

The sample was then sent to the providers who commented on any sample members who they considered may be unsuitable for interview due to particularly high level needs (alcohol/substance misuse; mental health) or difficulties in contact or engagement. Those posing a potential risk to researcher safety, or who were unlikely to participate in an interview, were replaced.

The interviews were conducted by pairs of researchers in provider settings or, for some of those in stable accommodation, at the accommodation. Providers' Navigators brokered the engagement – explaining what the research was about, passing on an information sheet with contact details at DCLG and ICF, and asking the individual for consent to take part (consent was also explained and confirmed at the time of the interview). All interviewees were given a £15 supermarket voucher as an incentive to take part. Participation costs – travel and other incurred costs – were reimbursed, and independent translation provided for those whose limited English language proficiency could present a barrier to their taking part. Navigators provided the researchers with a briefing on the background of each client and their support pathway prior to the interview, although there were some exceptions meaning some detail was unclear (for example, age).

A target was set of 15 achieved interviews with clients from each provider (total of 30 interviews); with a total of 25 being achieved – 12 with St Mungo's clients and 13 with clients of Thames Reach. Some clients who agreed to take part either withdrew; did not attend at arranged and rearranged times; or could not be engaged despite multiple attempts by Navigators. Key characteristics of the final achieved sample are presented in Table 6.1.

Table 6.1 Key characteristics of the sample

Gender	Age	Nationality	Accommodation
4 Female	4 people 20-30	British- 12	Own flat- 12
21 Male	6 people 30-40	Polish- 4	Supported
	6 people 40-50	Russian- 2	housing/Hostel- 6
	2 people 50-60	French- 1	Rough Sleeping- 2
	2 people 60+	Argentinian- 1	Room in shared
	5 unknown	Algerian- 1	house- 1
		Bolivian- 1	B&B- 1
		Hungarian- 1	'Couch surfing'- 1
		Greek-1	Unclear - 2

Each stage of the evaluation will include fieldwork with clients, and a subsample of those participating in each stage will be contacted in the next, to build a longitudinal sample that explores pathways over time and (both the achievement and breakdown in) long term, sustained outcomes.

6.2 The variety of the cohort

Although a small sample, the research with SIB clients confirmed that whilst the cohort is clearly defined by recent episodes of rough sleeping (see 2.2) they are a varied group with a range of backgrounds and support needs. The sample included:

- Clients with a range of mental health problems, including one who was described as 'delusional' and who reported a range of severe physical problems;
- Older people in receipt of pension credit;
- A wide range of nationalities with different levels of English language proficiency;
- A wide variety of backgrounds within the single largest group (British males);
- Individuals with ongoing alcohol and substance misuse issues; and,
- Individuals with employment histories in the UK and their home country, as well as those with little work experience and a long history of rough sleeping.

There is therefore no 'typical' client within the sample, reflecting the rationale for the SIB Navigator intervention model providing highly personalised pathways of support.

Case Study 1 Simon⁷³

Background

Simon is a middle-aged British man. Prior to being supported by the SIB (St Mungo's), he had been in a hostel for about a year and a half, following some personal troubles. It was not clear how long he had been sleeping rough before entering the hostel. Simon is a qualified plumber, but hadn't

⁷³ All client names are pseudonyms.

worked for around three years.

Simon had recently moved into private rented accommodation, and had started a job as a plumber at a London university.

Support

Simon was first approached by a SIB Navigator in the hostel. He explained that it had been made clear to him that the Navigator would offer him support:

'in the hostel, but more so when I moved... [stuff about] my road to employment, benefits... getting stuff for my flat... moral support'

Simon reported that his SIB key worker had worked with him in a number of ways:

- Helped him to find a flat in Westminster. The housing officer at his hostel had started to do this but 'things were taking ages... [Navigator]' gave it a bit more oomph, within a month and a half [of Navigator taking over] I had the place'. He also, along with a St Mungo's volunteer, helped him to furnish his flat;
- Helped Simon to find a job at the university, which at the time of interview he had been doing for two and a half weeks. Finding a job was a big achievement for Simon as: 'three years is a long time to be out of work... it's a big relief to have sorted myself out';
- Encouraged Simon to start court proceedings to re-gain access to his daughter and supported him through this process. This was successful and Simon is looking forward to seeing his daughter again soon.

Simon was very appreciative of the Navigator support he had received, and reported that it was different (and better) than what he had received prior to this. In particular, the Navigator was able to get things done in a way other workers couldn't. Alongside that, Simon explained that he knew that he was always there for advice and support:

'If I am stuck or have an issue, I know I can always go to him, whereas other workers might say that, but you didn't really believe them.'

Plans

Simon is optimistic for the future; he knows he's only got one chance at a Westminster flat and he's determined to keep it. He is happy with his job and thinks *'it's a job I can stick to... I feel secure, I know I've got a routine.'*

Simon finds it reassuring that, whilst he has begun to sort himself out and settle down, he knows that his Navigator will continue to support him, *'I still get stressed sometimes... [and] just having the answer there, the help there, is really useful.'*

6.3 Awareness of the SIB

Clients identified with their Navigator as their 'key worker' and with the provider organisation, although few referred to the SIB 'brand names' (Street Impact for St Mungo's and Ace for Thames Reach). No-one in the sample had heard of 'the SIB', but there was a view that this was a new model of key worker support that differed from what was available elsewhere (as illustrated in the case study above). There was limited awareness amongst those who participated in the research about why they were eligible for the new support. Most simply understood that they were eligible due to something about their circumstances. But the view of the SIB support as different to what had been available/received by them before led several clients to explain how grateful they were for the support and a perception that *'the ones that get it are lucky'*.

6.4 First contact

Clients had been contacted by their Navigator in a range of settings and circumstances. Some had been sleeping rough, some were in hostels, some were in accommodation and some had been introduced through other services that they were accessing. This latter route illustrates how the SIB providers are working with other services, including hostels and day centres, to access members of the cohort. Instances included where a hostel worker had explained to the client that there was a new key worker who would be supporting them; or there had been a joint meeting of an existing worker, the client and the Navigator where the new offer of support was introduced. There were also instances where the client knew the key worker from previous support offered or received.

Whilst most clients described the move from one worker to another as simple and seamless, this was not always the case. 'Abel' (Thames Reach), a Hungarian in his 40s who had been rough sleeping on and off for four or five years, explained that he had been supported by 'Matt'⁷⁴ whilst living in a hostel some years previously. Following time on the streets he was being supported by a key worker from a (non-SIB) provider when Matt arrived at the hostel and explained that he was now working for a different organisation and could help him quickly find a flat. Abel thought that there had been a dispute between the two key workers, but Matt's claim to be able to help him immediately meant that he *'agreed to go with Matt. In that way, Matt grabbed me'*.

6.5 Coordinated, responsive support

All of the clients had received a range of support through their Navigator, no matter how long they had been engaged by them.

6.5.1 Accommodation

A central element of the support described by the clients interviewed was the work that the Navigators had undertaken to help them secure, and maintain, suitable accommodation. Accommodation is central to the SIB because it is key to ending the cohort's rough sleeping, as well as providing the basis for progress towards employment and health outcomes. The experiences of the cohort reflect how the persistent approach to securing and sustaining appropriate accommodation is central to pathways to other outcomes.

⁷⁴ All Navigator names are pseudonyms.

Mike (Thames Reach) is a British male in his late 30s and an alcoholic. At the time of the interview, he had recently been contacted by his Navigator whilst in a night shelter. Prior to that he had been in a hostel but had abandoned it as he wasn't happy there, although there was some suggestion by him that he may have had to leave due to his behaviour. Mike explained how his Navigator had worked very hard to find him accommodation:

'He got me through the channels, tried to get me into hostels suitable for me... [these were difficult to find] due to my mental health problems and my alcohol problems.'

Janice is a woman in her 60s who had experienced domestic violence and had been sleeping rough when she was met by the SIB Navigator (Thames Reach). She was supported to move to Southend where she has family and friends. Her Navigator had accompanied her to look at a suitable flat, negotiated the rent down, visited the landlord, provided a deposit and organised for the landlord to make repairs. She was interviewed by telephone and felt positive about settling in Southend with the support she was receiving.

As well as finding suitable accommodation, clients explained how Navigators had supported them to sustain their tenancy and to live independently and successfully. Examples were given of a Navigator paying for household essentials, such as cutlery, furnishings, curtains, blankets and other items such as a television or cooker. This helped clients live in their new accommodation as a home. For example Tony, a Bolivian in his late 20s, explained how his Navigator had bought him a Hoover so that he could keep his room clean, and contrasted this with how he had lived when in a hostel and how dirty it had been.

Once accommodation was secured and sustained, clients felt able to consider next steps. As one described:

'I'm very glad for the help, I was in trouble, I was in a very difficult situation but now I feel OK. I'm glad to be off the streets... I must take care of myself to get my life better. It depends more on me than on anyone else.' (Tiago, Portuguese, 42).

Where it was still being addressed, accommodation remained their priority.

'I don't know what I want to do in the future. I've been focusing on the move and my flat... But I will talk to [Navigator] about the future.' (Peter, British, 40).

6.5.2 Accessing other provision

As well as activities to support access to and sustained accommodation, clients explained how their Navigator had also provided a wide-range of additional support to help them. Examples given included:

- Accessing support for alcohol and substance misuse;
- Help with gaining identification and legal documents such as passports;
- Organising multi-agency meetings to address ongoing mental health support needs; and,

- Paying for training, skills courses, or certification and the construction trade CSCS card in particular.

As with the discussion of accommodation above, the descriptions of support that clients received reflects those from the Navigators themselves (in section 5). Clients consistently highlighted how their single Navigator had provided them with support across *‘everything’* that they needed, rather than having to work with different people. One client described the support of their Navigator compared to previous key worker support as being *‘like chalk and cheese’*. A key theme, which built trust and relationships, was the ability of Navigators to get things done quickly, building trust, and to be persistent. This included advocating for the client at meetings or with agencies to ensure that they received support.

‘[Navigator] never gave up, always listened, always fought for me... with a different organisation I’d still be in a crappy hostel. And near enough dead’ (James, British, 25).

Case Study 2 Paul

Background

Paul grew up by the coast in England and is 41 years old. He married in his 20s and had a child. He was a printer by trade and was employed doing this when he was younger. When he *‘split up with missus, my daughter’s mother, the drug use got out of control.’* His daughter was put up for adoption and Paul spent a short amount of time in jail. When the SIB Navigator made contact Paul had been rough sleeping for over two years, and although a large number of services had attempted to engage him, this was the first case worker he felt that he wanted to interact with.

The *‘one thing he did differently was he crouched down, not right in my space but at the end of my sleeping bag, and we had a little chat. Straight away I knew that this guy wasn’t pushy and he asked if I’d like to sort out my housing and all the rest of it’*. Fraser, the St Mungo’s Navigator, gave Paul a telephone. *‘That was the crux of it really. He could get hold of me and I could hit the panic button and get hold of him.’*

Support

Fraser supported Paul to visit a doctor, taking him by cab, who prescribed him methadone. This initial trip to the doctors was the turning point for him and he felt that it was Fraser that: *‘initiated that stability...He was instrumental in getting that started, breaking some of the habits of 20 years of drug use.’*

As the relationship developed Paul moved into a hostel where he has been living for over a year. *‘I was in a mess and was on the way out. It was a big full stop on the chaos that was going on for me then’*.

Paul has serious health problems as a result of long term drug use. He nearly lost his leg about seven years ago, he has necrosis in his foot and DVT. As a result of this recently he had been in hospital for six weeks. When he left hospital he had an arterial bleed which meant he lost over two pints of blood.

He suggested *‘Had any of that happened when I’d been out there I’d*

probably be gone'. Throughout his time in hospital 'Fraser was there, keeping my spirits up... getting me supplies'.

As well as helping with his health issues Fraser has encouraged Paul to do *'things that normal people do'*. For example they are both have an interest in music and so Fraser organised for them to go to recording studio at St Mungo's and play some music together. They also regularly go for coffee where Fraser offers support and guidance to Paul.

Plans

Looking to the future Paul aims to leave the hostel by the end of the year but perhaps before. He sees this as a big step but he knows that he will be supported throughout. He explained that Fraser is always patient and takes time to talk through with him the information he needs to make decisions.

6.5.3 The importance of the relational approach

The relationships established between clients and their Navigators emerged as a consistent theme, and one that was central to the offers of support being taken up and subsequent outcomes achieved. Navigators were described as taking a different approach to other workers, one that was personal and that was long-term.

'We talk on a friendly basis, about things in general. There's no agenda. It is nice to be able to be a bit more relaxed [than with other services].' (Peter, British, 40)

Most of the clients who participated in the research highlighted the availability of their Navigator. Clients described knowing that they could call on their Navigator at any time of the day, about any issue, and they would receive help.

'If you need something [Navigator] would always help, you can always go to the office. They never say we'll call you back and don't. If you leave a message someone will call you back... Thames Reach don't do it for the money... they want to help' (Claude, French, age not known).

For those who were becoming more settled in accommodation, the frequency with which help was required was declining as the client sought to be more independent. There was also a concern for some that they should not over burden their Navigator with requests for assistance – although all still felt that they could contact their Navigator with any issue that they needed to.

'[St Mungo's Navigator] is there if you need him. He is one of them people that will come if you've got a problem, he will put something down and come and see you. He is one of them people that just makes the effort, he'll just come and see you, or phone you...it's just like having a brother really, he's one of the best people I've ever met'. (Adam, British, 55).

For clients who were not British nationals, having a Navigator who spoke their language and understood their culture was important. This was seen to help their ability to understand the issues that the client was facing, as well as propose appropriate solutions.

Some of the Thames Reach clients had experienced a change in Navigator (as a result of staff turnover). They explained that they were getting, or had got, to know their new 'key worker' and emphasised the importance of regular meetings and contact in building their

new relationship. But the fact that the Navigator came from the same organisation was important in providing continuity.

'They don't treat you like a commodity. They don't treat you like they're trying to make money out of you' (Jim, British, 50s).

Case Study 3 Mateusz

Background

Mateusz is a young Polish man in his early twenties. He has been rough sleeping in Westminster and Kensington and Chelsea for about three years. When he first came to London, he moved in and out of temporary, unstable jobs but seemed to be able to find new jobs relatively easy. Then, it started becoming harder to find employment. He ended up on the streets. As he'd managed before, he thought he could continue to cope on his own. *"For a long time, I said I don't want help"*. Before he ended up on the streets, Mateusz had been relatively independent and did not have significant other needs. As a result of being on the streets, he started drinking. Mateusz described being on the streets: *"you don't control life, street life controls you. It takes over"*.

Support

St Mungo's first made contact with him around a year ago but he was not interested in accepting their offer of support and he did not keep in touch with the St Mungo's outreach worker. Over six months later, some of his friends were living in a hostel and told him that they were working with St Mungo's. Their key worker in the hostel gave Mateusz the contact details of the St Mungo's outreach worker. At this point, Mateusz had a change of heart and decided he should accept the help:

"I thought, why not. If they are trying to help me, I should take it".

Mateusz has received wide-ranging support from his Navigator. She has helped him to:

- Move into a short-term hostel and then into a semi-independent project. He is happy with his accommodation and recognises that it is a "lot better than being on the streets";
- Get a passport by paying the administrative fee and helping him to complete the paperwork;
- Obtain a NI number;
- Access benefits;
- Enrol at college for English lessons.

He was very positive about the relationship he has with the Navigator and the nature of support he has received. He feels it has made a real difference to him. He sees her between once a week and two or three

times a week and explained: *“I call her whenever I need something. If I need to go the Jobcentre, she will meet me down there”*. He commented on the Navigator’s reliability: *“she never says I can’t come. If she can’t make it that day, we do it the next day but she doesn’t say no”*.

Plans

Mateusz has talked with his outreach worker about possibly taking part in a detox programme (although he is not drinking a lot at the moment, he thinks a short detox programme might be good) and getting a CSCS (Construction Skills Certification Scheme Card) so he can potentially work in the construction sector in future.

6.6 Summary

This section has presented findings from the first round of research with clients of each SIB provider to explore their experiences and perceptions of the Navigator interventions. The examples of support that they provided mirror that described by the Navigators themselves. Their experiences and perceptions also confirm the rationale of the SIB intervention model in terms of the need for a flexible, personalised and long-term approach that coordinates provision. Three case studies illustrate the way in which Navigators support their clients.

- The sample of clients was selected to provide a variety of backgrounds and characteristics. Nonetheless, the experiences of the sample demonstrate the variety of backgrounds, their support needs and that there is no ‘typical’ client.
- Clients identify with their Navigator as their key worker and with their provider organisation, with limited awareness of the name of the intervention or the SIB. But they are aware of the intervention being something new and different to the support that is provided elsewhere.
- Clients had been contacted by their Navigator in a range of settings and sometimes with the help of another organisation. Although clients reported good joint working between the SIB Navigator and other services, this was not always the case with an occasional incidence where different key workers were reported to have been in dispute.
- Accommodation is central to the SIB, the model of support and the clients’ experiences; it is central to ending their rough sleeping. Clients highlighted the persistence of their Navigator in securing suitable accommodation and the wide range of support they received to help them sustain it and to make it their home.
- Clients reported a wide range of support from other organisations that was identified, brokered and coordinated by their Navigator. Navigators advocate for their clients and provide a constant source of advice and support.
- The relational aspect is central to effective key worker support. Navigators are available around the clock and actively build and maintain trusting relationships with their clients. Whilst frequency of support reduced as clients became more stable, Navigators were seen to be available should any need arise.

- For clients who were not British nationals, having a Navigator who spoke their language and understood their culture was important.

Subsequent rounds of research will continue to explore the experiences of cohort members and the progress towards and achievement of sustained outcomes.

7 Conclusions and Recommendations

This report presents the findings from the first, baseline, data collection and analysis for the qualitative process evaluation of the London Homelessness SIB ('the SIB'). The report has also provided an overview of the background and context for the SIB. This final section considers the findings of the first stage of the qualitative evaluation and identifies the learning from the SIB to date.

7.1 Key findings

The discussion of the evaluation research is split in the report into two key areas: the development of the SIB as a PbR contract funded through social investment, repaid as the provider receives payment from the commissioner for outcomes achieved; and, the delivery of the contract by two providers and the achievement of outcomes to date.

7.1.1 The development of the SIB

Key findings from the development of the SIB are:

- It was important that the SIB was developed through consultation with a wide range of stakeholders – this ensured there was market interest and supported the development of a viable model.
- The SIB was thoroughly designed through detailed research and analysis. This was necessary for a credible model of outcomes and metrics, based in the available evidence that could be refined and developed through ongoing consultation and market engagement.
- The SIB is a complex model of multiple outcomes for a complex and vulnerable group. Despite the detailed development work, there were limits to the evidence base and informed judgements were the basis for commissioners, providers and investors in reaching final decisions.
- Social investors are motivated by the potential for both social outcomes and the returns that their investment can achieve. A higher assessment of risk brings a higher cost and investors make individual judgments. The process of assessment and agreement can be facilitated by an intermediary, at a cost.
- The development of the SIB required a high level of investment from all stakeholders - DCLG in developing the model; GLA in developing and undertaking a new commissioning structure; providers in developing a tender for a PbR contract (including within the commissioning structure); providers and investors in negotiating and agreeing investment.
- The SIB offered a strategic opportunity for providers and investors and there was a high level of interest in the learning that it can provide for future service contracts and social investment products.
- The development of the SIB fits with best practice criteria that have been proposed for SIB products. Although there was a single procurement process there are two very different structures, demonstrating the diversity of SIB models.

7.1.2 The delivery of the SIB

Key findings from the initial research into the delivery model and performance of the SIB providers to date are that:

- There is a strong model of governance, with a Project Board (strategic) and Project Group (operational) bringing together providers and stakeholders and seeking to identify and address any issues that impact upon delivery.
- Both providers are following similar approaches – based around a key worker/navigator model, with options for the personalisation of services and funding, following the suggested approaches set out in the programme specification.
- The models bring together different elements of best and effective practice; what is innovative about the SIB interventions is that these different elements are brought together into a single role that supports a client along the entire pathway from the street (or wherever first contact is made) and blends direct support with wider provision brokerage and coordination to sustained long term outcomes.
- The delivery models include outreach provision to engage with clients (or engage with providers with whom members of the cohort are already engaged), before first attempting to secure initial places before considering longer term accommodation options. Once accommodation is in place, the navigators maintain contact with their clients to ensure the accommodation outcomes are sustained, and progress is made towards the employment and health outcomes.
- Where relevant and appropriate, members of the cohort may also be offered the opportunity of a facilitated return to their home country as part of the providers' reconnection provision. But, this is proving hard to achieve in practice due to a reluctance amongst the target group to be reconnected and many having rights to remain.
- Performance in year one of the programme, against the five outcomes and in the context of the targets set at the outset, has been variable. Areas of success included:
 - Moving clients into stable accommodation - where the providers achieved 169% of target;
 - Achieving sustained full-time employment outcomes at the 13 and 26 week points – where again the targets set were exceeded.
- The programme under-performed on the other employment measures (qualifications, volunteering and sustained part-time employment), although the progress towards these is not evidenced in programme reporting. Performance on the reduced rough sleeping target, and the initial and sustained reconnection outcomes also fell behind target.
- There have been issues in developing effective ways of working with some partners, linked to their reservations about the SIB as a mechanism for public service provision and as PbR as a structure for promoting an outcomes focus. The shared commitment to outcomes for the target group had supported a process of meetings

and discussion that had led to joint working. Overall, partners were positive about the resources the SIB provides and the model of intervention.

- As would be expected given the nature of the target group, providers experienced a range of challenges in achieving outcomes for the members of the cohort they were engaged with. Nevertheless many positive aspects of the navigator model were cited. The achievement of client outcomes over the implementation period will be the focus of subsequent strands of the evaluation.

7.1.3 Key findings from research with SIB clients

- The examples of support that clients provided mirror those described by the Navigators and provider staff themselves. Client experiences and perceptions confirm the rationale of the SIB intervention model as providing a flexible, personalised and long-term approach.
- The experiences of the sample who participated in the research demonstrate the wide variety of client backgrounds and support needs. There is no 'typical' client.
- Clients identify with their Navigator as their key worker and with their provider organisation, with limited awareness of the SIB. But they are aware of the intervention being something new and different to the support that is provided elsewhere.
- Clients had been contacted by their Navigator in a range of settings and sometimes with the help of another organisation. Although clients reported good joint working between the SIB Navigator and other services, this was not always the case.
- Clients highlighted the persistence of their Navigator in securing suitable accommodation and the wide range of support they received to help them sustain it and to make it their home.
- Clients reported a wide range of support from other organisations that was identified, brokered and coordinated by their Navigator. Navigators advocate for their clients and provide a constant source of advice and support.
- The relational aspect is central to effective key worker support. Navigators are available around the clock and actively build and maintain trusting relationships with their clients.
- For clients who were not British nationals, having a Navigator who spoke their language and understood their culture was important.

7.2 Learning from the first year of the London homelessness SIB

As with the summary above, the learning from the SIB to date can be split across the learning from the development of the SIB and the delivery to date.

7.2.1 Learning from the development of the SIB

The innovative nature of the SIB and the infancy of SIBs as a product within a developing social investment market provides the context for the learning identified here.

7.2.1.1 Learning from the development of the PbR model

- The development of outcome measures, metrics and the evidential requirements requires a complex interplay of evidence, modelling and judgement. Detailed data analysis is required but this should be supported by wide-ranging consultation and stakeholder engagement. There is a cost associated with this process that is necessary for developing a product for the investment market.
- The development process is made harder, bringing higher associated costs, because there is not always an evidence base for a particular intervention nor for modelling the associated outcomes and metrics:
 - there may not be evidence about past achievement on which to base predictions;
 - there may not be evaluated practice that can be used to model interventions with a high degree of certainty;
 - it can be difficult to cost outcomes and savings due to a lack of evidence; and,
 - where comparator cohorts cannot be created, baselines can provide an understanding of expected achievement, but these too are limited by the data available.

Given the desire for innovative practice, such a context is likely to be common for SIBs. 'Sense checking' through market engagement with different stakeholders can address evidential limits and the SIB suggests that there are different levels of analytical purity that can be the basis of SIB and PbR, away from the comparator group model.

- Providers see PbR as an emerging trend in service commissioning and although they have some reservations about what this might mean for them and the wider VCS they: recognise the strategic importance of experience in both designing PbR and delivering PbR contracts; and, welcome the opportunity for flexibility in service delivery that is outcomes rather than delivery focused. They are willing to invest in order to gain this experience, but PbR will present particular challenges for smaller organisations without these resources and newer organisations without the internal evidence-base from which to model assumptions. Ultimately, providers are required to use their expertise in making judgements about what is realistic in terms of both achievement of PbR outcomes and thus in turn the impact for them of the cash flow that will result. This introduces new levels and forms of risk within provider business models.
- PbR contracts are also new for commissioners, both in their procurement and their monitoring and management. A competitive dialogue process offers a structure for engagement with a selected pool of credible providers and helps build commissioner confidence in the viability of proposed delivery models as well as amending contract requirements whilst retaining an open-tender procurement process.

- PbR contracts place a high level of administrative burden on commissioners, with detailed evidence and audit required to support the release of outcome payments. In parallel, PbR limits the scope of what commissioners can expect and the new role of outcomes monitoring rather than delivery scrutiny (with providers free to innovate) can present a challenge. Commissioners do not want providers to fail as they want outcomes to be achieved and this is a tension within the PbR model where outcomes are the sole focus. Commissioners need to accept that there is an inherent risk in PbR structures that outcomes will not be achieved and providers will fail but the lack of secured funding reduces the leverage they hold over contracted providers.

7.2.1.2 Learning from the investment process

- There is concern amongst providers and some investors that SIB investment models result in 'leakage' of funding away from provision through the payment of returns on investment. Balancing this with the requirement to account for risk through returns in order to secure investment requires negotiation and agreement on all sides and neither providers nor social investors are homogenous groups with shared priorities and concerns. The level of risk will always be considered too high for some investors; and, there is not a consensus about an appropriate level of investment cost.
- The lack of comprehensive, rigorous data available to model the SIB interventions increased the risks in the contracts and to associated investment. Investment decisions were driven by the potential for high social outcomes and ultimately this made the investment more attractive to some investors than others. Investors must protect their capital and receive a return.
- Investors had concerns about some of the features of the PbR metrics and would have liked earlier involvement in, and consultation about, the details of the model. This needs to be offset by their reluctance to invest resources in detailed review and due diligence prior to contract award. One suggestion for how this could be achieved was the possibility of the commissioning structure for a SIB procured through open tender being one where preferred bidders are awarded a contract in principle earlier and then longer times provided for negotiation – so that investors can contribute to the refinement of both the models and contracts; and, providers can more easily secure investment without speculative negotiation. An alternative process could identify potential 'deal breakers' earlier in the process. Increased intermediary capacity and learning over time could improve understanding and anticipation of key issues, and reduce fees.
- Neither investors nor providers considered the SIB contracts to be of high worth in revenue terms – both manage a portfolio of higher value investments or contracts. But there is a high level of strategic interest in: the potential of SIBs for securing new investment; and, in learning about PbR as a structure for outcomes-based commissioning. The strategic interest in the SIB provided a driver for investment in learning. The SIB was considered to be comprehensively developed and to have learnt from other PbR and SIB schemes. But it remains very early days for SIBs and all accept there is learning to take place, and an appetite for this, on all sides. This raises the question of whether the same drivers will remain as SIBs and PbR become more mainstream and whether contract sizes would need to provide larger amounts of revenue and return.

- Investors prefer to see a sharing of risk between providers and investors and, ideally, commissioners. 100% PbR models increase risk and increase the cost of investment. Both under-performing and over-performing scenarios offer risk and return for all parties and where both are shared or more evenly distributed, investment is more attractive.
- There was a time pressure in the development and commissioning of the SIB, with a desire by the GLA as commissioners to procure the contract and for delivery to begin. A longer timescale or one with more flexibility would have helped some social investors make investment decisions through their institutional structures, with more time for due diligence and provider engagement.

7.2.2 Learning from the delivery of the SIB

The SIB is trialling an innovative approach to supporting entrenched rough sleepers towards long-term, sustained outcomes. This section identifies the learning from the first year of delivery. The learning from long-term outcomes will be provided in later reports as delivery reaches the point where they should be achieved.

- Delivery to date suggests that a Navigator model is an effective key work approach to supporting entrenched rough sleepers towards long-term outcomes. Practitioners and clients identify key features of the model to be:
 - 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 that is usually split across different roles;
 - Support that is provided in home language 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; and,
 - Flexible funding that can be used to purchase goods and services quickly and according to individual need.

Delivering this effectively requires skilled, motivated practitioners.

- Although the cohort targeted by the SIB is clearly defined, there is a wide variation in the characteristics and support needs of the individuals within it. There is no typical client. An informal approach to assessment provides the basis for an effective Navigator approach.
- Securing and sustaining stable, appropriate accommodation provides the basis for pathways to long term, transformational outcomes. But not all entrenched rough sleepers will achieve these; for many the ability to sustain accommodation is itself a successful outcome, requiring a range of issues to be addressed through support. Substance misuse and mental health needs present particular barriers to progression.

- Partnership working is a central element of effective Navigator interventions. As with all partnerships, effective practice requires a dedicated focus to build understanding and clarity about roles and responsibilities. A shared commitment to achieving outcomes for entrenched rough sleepers facilitates joint-working and provides the basis for partnership development. This is particularly important when there are multiple key workers, whatever the length and scope of support they're able to offer.
- A PbR structure to an intervention for entrenched rough sleepers enables a flexible approach that is outcomes focused and not restricted to a set model of delivery. Evidence to date suggests that the balance in the SIB PbR does not create perverse incentives to achieve inappropriate outcomes, although this will only be confirmed as delivery builds in the second and third years. Outcomes that are currently behind target will need to be achieved for contract value and investment returns to be realised.

7.3 Recommendations

The first stage of the qualitative evaluation of the London Homelessness SIB provides learning for both future SIBs, PbR contracts more broadly and for the providers and wider stakeholders in delivery. Here recommendations are made for each group.

7.3.1 For social impact bonds

- SIBs are one form of social investment. Social investors are attracted by the social impacts as well as the returns that improved outcomes provide in SIB investments. Commissioning: 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.
- Whilst SIBs remain new, specialist support is required to build capacity and facilitate investments. Although an intermediary body may not be necessary, financial modelling tools, contract and other templates are all important. Guidance on what investors require in due diligence would help providers prepare. Until SIBs are a more mature product, specialist support will be required and this brings a cost.
- An intermediary body and SPV are not always necessary. SIB commissioning should be open to different investment structures, as this facilitates the involvement of a wide range of social investors and different ways of accounting for and addressing risk.
- 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. Evidence available through 'what works' reviews and outcome banks such as that recently produced by the Cabinet Office⁷⁵ will assist and should be the starting point for SIB feasibility studies. These will help to reduce costs but

⁷⁵ The 'Unit Cost Database' was launched in February 2014 and contains the costs associated with over 600 outcomes, http://data.gov.uk/sib_knowledge_box/toolkit

nonetheless these costs will remain and should be factored into value for money calculations.

- 'Competitive dialogue' offers an appropriate process for commissioning a SIB. It allows an open tender, enabling the market to respond to commissioners requirements, but provides a structure for a short-list of credible providers to be engaged. Consideration should be given to awarding contracts prior to investment being brokered, so that investors can be certain of what they are investing in and more efficient provider-investor negotiation facilitated.

7.3.2 For payment by results

- The design of a PbR model is dependent upon high quality data, which is not always available. To account for this, rigorous research should be accompanied by meaningful stakeholder consultation. In modelling PbR, commissioner and provider decisions about what can be achieved will ultimately be a matter of judgement without a robust evidence base from tested interventions. As a result, the assessment of risk is complex and some of the risk should be shared with the commissioner if a wide range of providers are to consider PbR viable.
- PbR brings new roles for commissioners and a heavy administrative burden. Attributable outcomes must be clearly defined and evidence requirements as simple as possible. Commissioners should prepare for their role by ensuring sufficient capacity for monitoring and providing supportive governance that is responsive to learning.

7.3.3 For delivery of the London Homelessness SIB

- Effective partnership working is essential and should remain a focus of the SIB providers as they seek to achieve sustained outcomes and address areas of under-performance. The shared commitment to improved outcomes for the cohort provides the basis for partnership working, but effective joint working will require ongoing discussion and negotiation.
- If any Navigator leaves their post, their clients' transition to a new Navigator should be carefully managed so that there is no break in support and a sound basis is provided for a new relational approach to develop.
- The Project Board should keep the evidential requirements of the SIB under review whilst maintaining the integrity of each outcome.