

# INNOVER FINANCIEREMENT pour INNOVER SOCIALEMENT

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## Fighting homelessness through Social Impact Bonds

### A tool largely in use to fight homelessness

**The homeless population faces multiple issues: housing issues, access to rights and health services (for health problems as well as addiction), incarceration and reconviction, and issues linked to deteriorated social ties.**

**Social Impact Bonds, a financing tool invented in 2010 by Social Finance, have allowed to finance several programs to support this population.**

**As Social Impact Bonds focus on results, they enable great flexibility to adapt the means to reach the targets, and thus, to help this deprived population.**

**The article reviews some of the Social Impact Bonds that allowed to complete such program.**

To date, 45.6 million euros have been invested in 24 social impact bonds to fight homelessness, out of the 460 million euros invested in total in social impact bonds worldwide. Most of these programs –fifteen of them– were implemented in the United Kingdom, for a total amount of 14.7 million euros (919 000 euros by program on average). However, the biggest investments were realized in the United States, for a total amount of 21.6 million euros for five programs, that is to say 4.3 million euros on average by program. The 22 programs that made the information available have supported 6 885 homeless people.

The American programs are mostly following a “Housing First” approach. Housing First is a methodology to ensure homeless people leave the streets by providing immediately permanent housing and community-based support. This approach has been experimented through research in Canada and the United States, most of the time based on randomized evaluations.

In the United Kingdom, a different and varied approach has been adopted, mostly based on individual evaluations rather than randomized evaluations.

Eleven of these programs are completed, and we will focus on them to extract a first set of lessons.

### The first Social Impact Bond to fight homelessness

The first Social Impact Bond (SIB) launched on this topic had two branches: two third sector organizations and one outcomes payer, the Great London Assembly, were involved. This 2-million-euro SIB was launched in 2012 for four years; the operations were implemented between November 2012 and October 2015. This SIB aimed to use the new outcome-based financial product to reduce significantly homelessness in London. To set up the financial product, Social Finance estimated that the intervention could produce 25,800£ of savings per person, and 13.5M£ for the whole group. The expected results were specified, but the means to reach them were left in the hands of the social operators.

830 homeless people have been identified and supported along the program by two organizations with experience on the topic of homelessness in Britain: St Mungo and Thames Reach. Indeed, St Mungo has been addressing homelessness and providing support for more than 50 years, and Thames Reach has been dedicated to the same mission for 25 years, employing 330 people helped by 80 volunteers.

Five types of results indicators were defined and targets were set, based on data already in use for this population. The metrics were the following:

- Reduction in homelessness, measured by the number of individuals spotted in the streets overnight, on a quarterly basis
- Improvement in housing stability, measured by the number of individuals having spent 6 months in accommodation
- Recovery of sustainable social ties
- Reconnection to employment, measured by the number of individuals volunteering or employed a certain amount of hours per week
- Improvement in health management, measured by the ratio of emergency services usage

Social impact bonds on homelessness				
Code name	Location	Launching date	Amount invested	Duration
GLA - Street Impact	United Kingdom	2012	€ 995 400	3 years
GLA - Thames Reach	United Kingdom	2012	€ 995 400	3 years
Sweet Dreams	North America	2014	€ 653 000	5 years
Massachussets - supportive housing	North America	2014	€ 3 143 000	
Fair Chance Fund - Fusion Housing	United Kingdom	2015	€ 940 100	3 years
Fair Chance Fund - Local solutions	United Kingdom	2015	€ 608 300	3 years
Fair Chance Fund - Aspire Gloucestershire	United Kingdom	2015	€ 342 860	3 years
Fair Chance Fund - Rewriting Future	United Kingdom	2015	€1 139 180	3 years
Fair Chance Fund - Ambitious East Midlands	United Kingdom	2015	€ 663 600	3 years
Fair Chance Fund - Your Chance	United Kingdom	2015	€ 553 000	3 years
Fair Chance Fund - Home Group	United Kingdom	2015	€ 550 790	3 years
Welcome Home	North America	2015	€ 6 196 200	6 years
Denver	North America	2016	€ 7 722 800	5 years
Adelaide	Oceania	2016	€ 2 304 000	8 years
Etats-Unis	North America	2016	€ 3 951 200	6 years
DCLG Rough Sleeping Programme - Bristol	United Kingdom	2017	€ 1 382 500	3,5 years
Youth CONNECT	Oceania	2017	€ 2 990 000	6,5 years
Single Homeless Prevention Service (SHPS) Brent	United Kingdom	2017	€ 1 548 400	2 years
DCLG Rough Sleeping Programme - Lincolnshire	United Kingdom	2017	€ 1 437 800	4 years
Be the Change! - Northamptonshire	United Kingdom	2017	€ 165 900	3 years
DCLG Rough Sleeping Programme - Gloucestershire	United Kingdom	2017	€ 1 395 750	3,5 years
Greater Manchester Housing Partnership	United Kingdom	2017	€ 1 990 800	3 years
Victoria SIB	Oceania	2017	€ 2 206 620	3 years
Back on Track	Continental Europe	2020	€ 1 700 000	3 years

This program reached the expected results thanks to the intervention, including individualized support, partnerships between several support services, available accommodation for the beneficiaries, and inclusion of other services such as immigration services to obtain refugee status. After two years:

- The average number of nights spent in the streets was 9.2 for the treatment group against 13.9 for the control group
- 60% of beneficiaries had spent at least one night in the streets against 67% in the control group
- 15% of beneficiaries reconnected with their relatives against 12% in the control group
- 37% of beneficiaries achieved sustainable accommodation against 7% in the control group

This program also allowed the investors to be paid with interest; however the amount paid has not been disclosed.

### “Housing First”, the approach of the Denver SIB

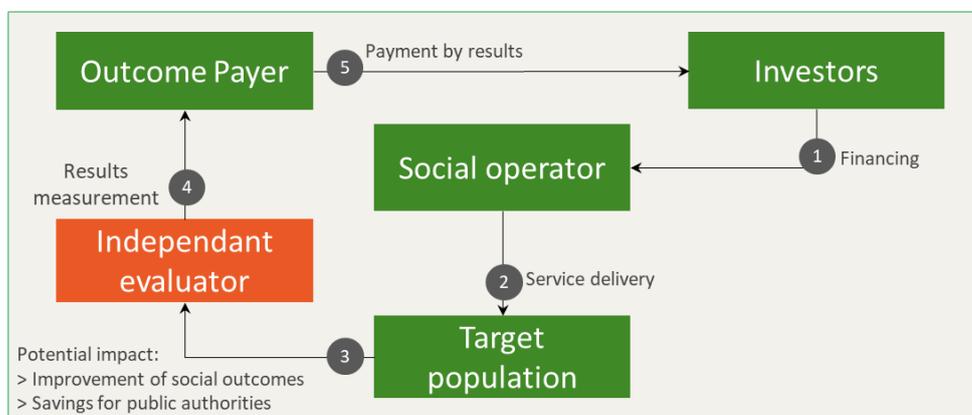
The Denver SIB is based on the “Housing First” approach, which acknowledges that offering cheap and subsidized housing to homeless people is less “costly” to public authorities than leaving them in the streets. According to the SIB feasibility study, some homeless people are frequent users of social services, in particular the police, justice, or emergency services. Offering accommodation and support to these people could result in 7 million dollars savings per year to public authorities.

The 8.7-million-dollar program aimed to support 250 homeless individuals over 5 years, targeting those who had been under arrest at least eight times over the past three years.

### Financial innovation for social innovation : Social Impact Bonds

A Social Impact Bond (SIB) is a financial mechanism that aims to create collaboration between investors, third sector organizations, and the public sector, around a same objective: to prevent a social issue.

Investors finance preventative social programs, which allow a third party –the public sector– to generate savings and thus to collect resources for future financing. The public sector commits to pay the investors, with or without interest, depending on the social impact generated by the program and thus the savings effectively achieved.



Above all, a Social Impact Bond is a contract. The terms of the contract depend on the program as well as the stakeholders involved. Eligible programs must have several central characteristics. They should: be innovative (SIBs can spotlight a social issue and validate an innovative solution, in a co-constructed and experimental manner); respond to the needs of a specific population in a preventative manner; generate savings for the public sector; and they should produce measurable and objective results in the medium run (3 to 5 years) to allow the payment of investors (capital and return on investment).

Worldwide Social Impact Bonds have financed programs with the social at the heart: fighting reoffending, rehabilitating the most excluded populations, promoting employment for the youth, helping families in need, fight against school dropouts, preventing type 2 diabetes...

The City and the County of Denver committed to pay investors (payment of capital and optional interest). 8.7 million dollars were invested throughout the program, with an expected rate of return of 3.5% - achieved if the individuals sleep in their accommodation at least 12 consecutive months and if the rate of nights spent in jail decreases of at least 20% compared to the control group. The maximum payment was almost 11 million dollars, and was conditioned to the achievement of 100% of beneficiaries in sustained accommodation and 65%-reduction in nights in jail.

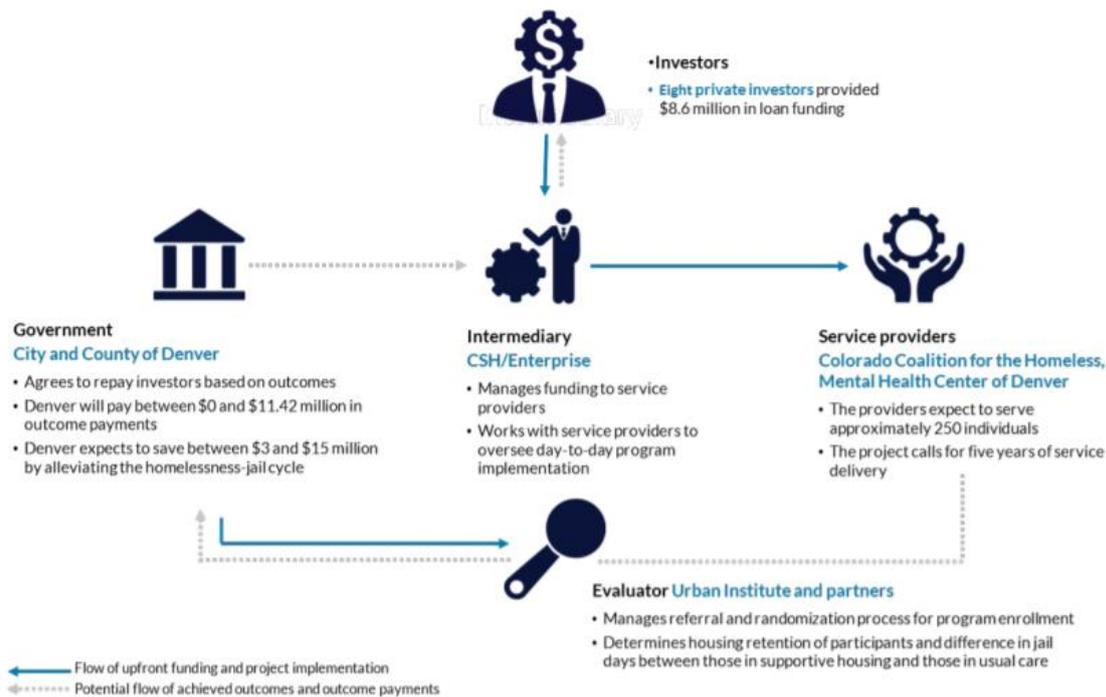
The “Supportive housing for Denver” program financed by the SIB gathers two social operators (the Colorado Coalition for the Homeless and the Mental Health Center of Denver) and 8 investors around “Denver Pay For Success LLC”, a vehicle created for the SIB.

As per the end of 2019, 330 people have been supported, and the results of the program are positive. 79% of the beneficiaries stayed in accommodation along the 3-year support. Due to the success, payments have been made to investors, for an amount of 2.5 million dollar for the moment.

According to the program evaluators, “the Denver SIB is an evidence-based example that, with the right housing and services, people previously caught in a cycle of homelessness and jail stays can remain housed up to two years after entering housing. Stability starts with housing, and these are very promising interim results.”

The randomized evaluation will take place in 2021 to capture the effects of the program on the decrease in incarcerations of beneficiaries.

### Denver Supportive Housing Social Impact Bond Initiative Framework



Similar analysis could be produced on other SIBs on homelessness where information is disclosed.

#### For any question on the programs or the financing method:

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