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IMPACT INVESTING TO REDUCE AND PREVENT YOUTH HOMELESSNESS IN NEW SOUTH WALES

**WRITTEN BY THE SOCIAL IMPACT HUB
IN COLLABORATION WITH THE MERCY FOUNDATION**

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The information contained in this document does not constitute legal or financial advice and should not be construed as such.

PREFACE

The Social Impact Hub brings university students together with industry, not-for-profits, social enterprises and foundations to develop and conduct applied projects in fields of social impact under the supervision of industry experts. This innovative program aims to foster the next generation of social change agents while providing not-for-profits and social enterprises with access to high quality, industry-standard consulting, policy, research, advocacy and advisory services. In addition to working directly with social enterprises and not-for-profits, the Social Impact Hub has also undertaken a number of thought leadership projects, such as the *Field Guide to Impact Investing for Australian Charitable Trusts and Foundations*.

The Mercy Foundation, which was established in 1990 by the North Sydney Sisters of Mercy, is committed to social justice and since 2008 it has had a specific focus on homelessness. The Mercy Foundation supports new and innovative initiatives which end or prevent people's experience of homelessness and has a special interest in the implementation of better policy, systems, service and housing responses. The Mercy Foundation works in partnership with other organisations to advocate, to research and to help drive new approaches that will help bring an end to homelessness in Australia.

When the NSW Office of Social Impact Investment released its Statement of Opportunities in 2015, it identified preventing or reducing youth homelessness as one of four priority areas. Both organisations were excited by the potential of impact investing to challenge the existing charitable models of service provision and achieve better outcomes. However, we believe it is very important that the development of any impact investment mechanism be informed by the evidence – particularly from international experiences.

This collaboration between the Social Impact Hub and the Mercy Foundation is a wonderful example of cross-sector co-operation. Students from UNSW led the research and writing of the report, as part of completing an elective course at the Social Impact Hub. We also express our thanks to Social Ventures Australia for sharing its insights.

We hope that this report is useful for those service providers working to end or prevent youth homelessness and are actively considering whether impact investment is suitable for them. We also hope that this helps inform the development phase of the social impact bonds currently underway. Ultimately, we hope it inspires and assists new impact investments that can help prevent or reduce youth homelessness.

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Jessica Roth
Founder & Director
Social Impact Hub

A handwritten signature in black ink.

Felicity Reynolds
Chief Executive Officer
Mercy Foundation

EXECUTIVE SUMMARY

The New South Wales Government has committed to two social impact investment transactions per year. In 2015, it identified reducing or preventing youth homelessness as a priority area.

Each year, 12,000 people aged under 25 present alone to specialist homeless services in NSW. Whilst this number represents about a quarter of the State's homeless population, the true number, including those who may be couch surfing or surviving without assistance from homeless services, is even greater. As well as damaging young peoples' relationships, physical and mental health, and prospects of thriving in education and finding employment, youth homelessness drastically increases the risk of chronic homelessness in adulthood.

Social impact investment models such as social impact bonds and payment by results have the potential to facilitate and scale the funding of innovative homelessness services that can interrupt young peoples' trajectories towards homelessness, and offer the support they need to flourish. While patient capital and investment pooling vehicles such as Real Estate Investment Trusts have the potential to fund the development and purchase of affordable housing, it is the potential mechanisms for funding support programs that are the focus of this report.

In the last four years, North America and the United Kingdom have pioneered the use of social impact bonds to tackle homelessness. As those investments reach and approach their terms, they offer valuable insights that could inform the approach taken for a youth homelessness bond in NSW. Above all, those lessons stress the importance of:

- significant scope for government savings;
- striking a balance between innovation and risk mitigation;
- measurability;
- setting realistic targets;
- measuring success across a broad field of outcomes;
- sharing risk and opportunity between multiple service providers;
- a strategy for responding to difficult cases;
- a conducive policy and economic context;
- co-operation between stakeholders;
- attention to the end of the project's term and its legacy; and
- a viable housing solution for beneficiaries during and after the term of the intervention.

There are youth homelessness services currently operating in NSW that could benefit from replication and scaling through an impact investment. This report considers the Foyer model and Kids Under Cover studio housing model as especially promising models for realising the NSW Government's objective of preventing or reducing youth homelessness through an impact investment.

TABLE OF CONTENTS

1.	Introduction and Background	5
2.	Social Impact Investment Concepts	8
2.1	Outcomes Focused Grants	8
2.2	Payment by Results	8
2.3	Social Impact Bonds (SIBs)	9
2.4	Layered Investments	9
2.5	Australian Real Estate Investment Trusts (A-REITs)	9
2.6	Social Investment Tax Relief (SITR)	10
2.7	Patient Capital	10
3.	Youth Homelessness in NSW	12
3.1	Defining Homelessness	13
3.2	The Difference between Youth Homelessness and General Homelessness ..	13
3.3	Drivers of Youth Homelessness	16
4.	International Homelessness Impact Investment Models	20
4.1	United Kingdom	22
4.1.1	Homelessness in the United Kingdom	22
4.1.2	United Kingdom Homelessness SIBs	23
4.1.3	The Youth Engagement Fund	35
4.1.4	SITR	35
4.2	United States of America	36
4.2.1	Homelessness in the United States of America	36
4.2.2	United States of America Homelessness SIBs	36
4.2.3	Low Income Housing Tax Credits (LIHTC)	40
4.2.4	Real Estate Investment Trusts (REITs)	42
4.3	Canada	43
4.3.1	Homelessness in Canada	43
4.3.2	Canadian Homelessness SIBs	43
4.4	Ireland	44
5.	Impact Investment for New South Wales	46
5.1	Lessons for New South Wales	47
5.2	Foyer Housing	54
5.3	Kids Under Cover: Studio Housing	57
5.4	Conclusion	60

INTRODUCTION AND BACKGROUND

CHAPTER 1

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1. INTRODUCTION AND BACKGROUND

The New South Wales Government (the Government) is committed to reducing homelessness in New South Wales (NSW).

It has identified young people, who are over-represented in the homeless population, as a priority group for prevention and early intervention in order to address the problems that lead to homelessness before they arise or become entrenched. Accordingly, the Government has expressed interest in exploring the possibility of developing a social impact investment mechanism to target a cohort of homeless or at-risk young people. In particular, it has identified young people leaving out-of-home care and other high-risk groups as appropriate targets.¹

The Government has said that the ultimate outcome sought through a social impact investment mechanism in this area is the prevention or reduction of homelessness among young people.²

Related outcomes the Government has identified as appropriate for measurement include:³

- the percentage of participants engaged in employment or education programs;
- the percentage of participants who present to emergency departments and the number of presentations;
- the percentage of participants who have contact with the justice system; and
- an increase in the mental wellbeing of the participants measured through a developmentally appropriate standardised tool.

In June 2015, the Government released its principles for social impact investment proposals. They are:⁴

1. Robust measurement. There are three essential elements of a measurement framework, namely clear and reliable outcome measures, a well-defined client (or 'intervention') group and robust methods to determine performance (ideally a 'control' group with similar characteristics).
2. Value for money. Obviously, the expected benefits need to outweigh the costs. It is important to identify the nature of benefits (cash savings, avoided costs, productivity gains, or others), as well as the beneficiaries and the timing of benefits.
3. A service likely to achieve social outcomes. This means evidence or analysis to support the likelihood of the service delivering outcomes, as well as
4. Appropriate sharing of risks and returns.
5. A focus on high priority social problems.

¹ NSW Government Office of Social Impact Investment, '2015 Statement of Opportunities' (Report, February 2015), 13–15.

² Ibid.

³ NSW Government Office of Social Impact Investment, 'Market Sounding: Preventing or Reducing Homelessness Among Young People' (9 March 2015).

⁴ NSW Government Office of Social Impact Investment, 'Principles for Social Impact Investment Proposals to the NSW Government' (June 2015).



This report explores the possibilities for implementing social impact investments to prevent and reduce youth homelessness in NSW. It does this first by defining impact investment, and describing some impact investment concepts that might assist in the development of a youth homelessness intervention for NSW. It then provides an overview of youth homelessness and how it manifests in NSW. Then, it considers a number of homelessness-targeted social impact investments that have been implemented in the United Kingdom (UK), the United States of America (US) and Canada, and their lessons and insights for NSW. Finally, it proposes consideration of two proven models for addressing youth homelessness that could be trialled and implemented in NSW.

SOCIAL IMPACT INVESTMENT CONCEPTS

CHAPTER 2

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SOCIAL IMPACT HUB



2. SOCIAL IMPACT INVESTMENT CONCEPTS

The term ‘impact investment’ first emerged during a gathering of leaders at the Rockefeller Foundation’s Bellagio Centre in 2008, and was further established by the Monitor Institute’s 2009 report, *Investing for Social and Environmental Impact*.⁵ Impact investments intend to deliver both a financial and a social or environmental return. This differentiates impact investment from philanthropy, which does not seek a financial return, and regular investment mechanisms, which do not necessarily seek to have a positive social impact.⁶

Social impact investing can foster entrepreneurship and innovation by providing social enterprises and not-for-profits with access to finance and support in the mainstream financial market. Innovative approaches to social impact investing can benefit communities by creating markets for the provision of new services, infrastructure and jobs. Importantly for investors, they can create opportunities to invest in accordance with their values. By accessing the right opportunities and implementing projects carefully, governments can spend more effectively in target areas and measure outcomes more clearly. Not-for-profits can build on their successes by scaling their operations.

This chapter outlines seven social impact investment concepts that might inform the development of an impact investment directed at youth homelessness in NSW.

2.1 OUTCOMES FOCUSED GRANTS

Outcomes focused grants are offered by governments or foundations seeking service or project delivery based on the achievement of measurable outcomes, rather than the cost to the service provider or number or nature of its outputs. Outcomes focused grants require the project or service’s success to be evaluated after completion, the cost of which may have to be factored into the grant. Benefits beyond the project’s immediate outcomes can include contribution to cost analyses of social outcomes, the social sector’s capacity to collect and evaluate data, and a more sophisticated evidence base for developing social policy. The Mercy Foundation’s ‘Grants to End Homelessness’ is an example of a charity-run outcome focused grant program directed at addressing chronic homelessness.⁷

2.2 PAYMENT BY RESULTS

Payment by results contracts involve government agreeing to pay service providers only for the achievement of agreed results, placing both the incentive for efficiency and the financial risk of underperformance on the service provider. This may require the service provider to fund the project from its own resources. Alternatively, working capital can be raised from private sources or a risk-weighted government payment. If payment for the outcomes achieved by the service provider exceeds the cost of delivery, the service provider can reinvest its ‘profits’ in the project, or direct them towards other projects. Provisions mandating a reinvestment scheme may be incorporated into the contract.

⁵ Jessica Freireich and Katherine Fulton, ‘Investing for Social and Environmental Impact: A Design for Catalyzing an Emerging Industry’, (Report, Monitor Institute, 2009).

⁶ Rosemary Addis, John McLeod and Alan Raine, ‘IMPACT—Australia: Investment for social and economic benefit’, (Report, Australian Government Department of Education, Employment and Workplace Relations, March 2013).

⁷ Mercy Foundation, *Grants to End Homelessness*

<<https://www.mercyfoundation.com.au/grants/index.cfm?loadref=19>>.

2.3 SOCIAL IMPACT BONDS (SIBS)

A SIB (termed social benefit bond in NSW) is one form of payment by results whereby the government and service providers contract with investors to fund the service up-front, to be repaid from later government payments. The SIB aims to achieve specified outcomes whilst yielding government savings. In the case of a homelessness SIB, the project might aim to see people transition into stable housing and employment, yielding savings in the cost of social housing, welfare, interactions with the justice system and presentation at healthcare services. The government may contract with an intermediary to broker the SIB, which will raise capital from investors to fund the project. The service provider will repay investors upon their achievement of agreed outcomes, usually with a return that increases relative to the achievement of outcomes. Variables include whether the government guarantees the principal investment, whether there is a cap on returns to investors, and whether payment is to be incremental or lump sum. Throughout the service delivery period, an evaluation adviser will usually monitor progress and advise service providers on strategies for meeting performance targets. At completion, an independent evaluator assesses these achievements.

SIBs can encourage innovation by giving service providers greater freedom and incentives to achieve outcomes. However, setting a baseline and rate for repayment requires accurate data on the target of the intervention and an ability to adequately predict the project's chances of success. In order to be an appropriate intervention for a SIB, a project should be more effective, yield a greater impact and provide a higher savings rate for government than existing programs. Programs will also ideally be scalable and replicable. Many examples of these are discussed in chapter four.

2.4 LAYERED INVESTMENTS

Layered investments are pooled investments structured to disrupt the risk profile adopted by each investor, so that some take greater risk and a higher return, while others take less risk for a lower return. Typically, layered investments will be adopted in order to encourage greater investment in a potentially high-risk project that will achieve a social or policy end. Government or philanthropic investors take on the less attractive investment, offering a more acceptable risk-reward profile for independent and commercial investors. The government or philanthropic capital thus catalyses the creation of a larger aggregated pool of investment.⁸

2.5 AUSTRALIAN REAL ESTATE INVESTMENT TRUSTS (A-REITS)

A-REITS are listed on the stock exchange and traded like other securities. They give individual investors access to property assets that may otherwise be out of reach for an individual investor, generating wealth through rental income and the assets' capital growth.⁹ A-REITS may be suitable for impact investment for the development of public or social housing, where a return could be generated through rental income that is paid or subsidised by the Government rather than tenants. This would limit risk for investors and create savings for the Government, who would otherwise have to provide the full funding for the social development.

⁸ Addis, McLeod and Raine, above n 6, 37.

⁹ ASX, A-REITs (2016) <<http://www.asx.com.au/products/managed-funds/areits.htm>>.

2.6 SOCIAL INVESTMENT TAX RELIEF (SITR)

SITR is a UK policy initiative to encourage impact investment by driving down the cost of capital for social enterprises. For lenders to selected programs, the government offers tax relief that reconciles investment in projects that would otherwise be unacceptably high-risk. In this way, SITR in the UK has encouraged investment in social enterprises seeking substantial loans but which are unwilling to pay more than 3% to 6% interest, with no assets to offer as security.¹⁰ SITR can be used in conjunction with other impact investment mechanisms, as has been seen in its use to attract investors to Ambition East Midlands SIB discussed below at 4.1.2.1. SITR is also discussed further at 4.1.4.

2.7 PATIENT CAPITAL

Patient capital is finance provided by private sector investors for a social purpose under conditions that offer a lower rate of returns and repayment over an extended schedule. In the US it has been used by not-for-profits, social enterprises and developers to attract funding affordable housing developments,¹¹ overcoming the difficulty social enterprises often face in attracting conventional finance.¹² Investors accept greater risk and slower repayment than a traditional lending agency or bank, and the social enterprise creates a financial and social return for investors through the cash flows generated from the housing development.¹³

Table 2.1: Social Impact Investment Concepts summarises the models discussed in this chapter and their benefits to government, investors and service providers.

¹⁰ UK Government, *Social Investment Tax Relief* <<https://www.gov.uk/government/publications/social-investment-tax-relief-factsheet/social-investment-tax-relief>>.

¹¹ New Jersey Government, 'A Guide to Affordable Housing Funding Sources' (October 2008) 31–34.

¹² Social Enterprise Fund, *How We Help* <http://socialenterprisefund.ca/?page_id=14>.

¹³ New Jersey Community Capital <<http://www.newjerseycommunitycapital.org>>.

Table 2.1: Social Impact Investment Concepts

Concept	Transaction	Benefit to Government	Benefit to Investors	Benefit to Service Providers
Outcomes focussed grants	Government/ philanthropist offers grants to service providers achieving particular outcomes	Directs service provider towards outcomes; creates opportunities for data collection and developing best practice and policy	N/A	Encourages efficiency and investment into research and measurement
Payment by results	Government pays service provider for achieving outcomes	Government pays only for outcomes, not unnecessary outputs and inefficiency; provides certainty over cost efficiency	N/A	Encourages efficiency and investment into research and measurement
SIBs	Government pays investors upon service providers achieving outcomes	Creates savings; drives innovation; outsources risk to investors	Creates opportunity to invest in accordance with values; if selectively applied and carefully implemented, can yield profit	Drives innovation, encourages investment, creates opportunities to scale
Layered Investments	Investors redistribute risk	Encourages private investment in priority areas	Creates opportunity to invest in accordance with values with commercially acceptable risk profile	Encourages investment
A-REITS	Investors pool investments in trusts	Can be harnessed for investment in public and social housing	Creates opportunity to invest in safe commodity	Encourages investment, enables scale
SITR	Government reimburses investors for investing in priority areas	Encourages private investment in priority areas	Creates opportunity to invest in accordance with values with commercially acceptable risk profile	Enables borrowing from social impact investors at lower interest rates
Patient Capital	Investors agree to higher risk and a slower repayment schedule	No need for government involvement. However, government can encourage this as a model for attracting private investment in priority areas	Creates opportunity to invest in accordance with values	Encourages investment

YOUTH HOMELESSNESS IN NSW

CHAPTER 3

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3. YOUTH HOMELESSNESS IN NSW

3.1 DEFINING HOMELESSNESS

The Australian Bureau of Statistics (ABS) defines a person as homeless when their current dwelling is inadequate, when they have no tenure over it, or when it does not allow them to have control of and space for social relations.¹⁴

Housing NSW has identified three types of homelessness: primary homelessness, which refers to people who sleep rough; secondary homelessness, which refers to people who are constantly moving throughout shelters; and tertiary homelessness, referring to people who do not live in a lease-secured accommodation or do not have access to private facilities.¹⁵ In a developed country such as Australia, this latter category is the most prominent form of homelessness, and is often overlooked in analysis and policy.

According to the ABS Census of 2011, NSW had a homeless population of 28,190, or 40.8 for every ten thousand people.¹⁶

3.2 THE DIFFERENCE BETWEEN YOUTH HOMELESSNESS AND GENERAL HOMELESSNESS

The ABS has acknowledged the difficulty in delineating youth homelessness and identifying those to whom it applies. This difficulty has various causes, including divergence in opinion as to whether it should include only 12-18 year olds or be extended to include 12-24 year olds. Additionally, the fact that young people who are homeless and 'couch surfing' may nevertheless report a primary residence in the Census makes them difficult to distinguish from young people who are simply visiting a friend on Census night.¹⁷ For these reasons, as well as differences in priority and focus, different organisations' and agencies' analysis of youth homelessness will sometimes differ markedly in their identification of the youth homeless populations' size and proportion relative to general homeless populations.

Unless otherwise stated, this paper applies the term 'youth homelessness' to people aged 12-24 years old who are currently experiencing homelessness.¹⁸ Much of the analysis and discussion will also apply to young people in that age bracket who are at risk of becoming homeless.

¹⁴ Australian Bureau of Statistics, 'Information Paper – A Statistical Definition of Homelessness' (No 4922.0, 4 September 2012) 7.

¹⁵ NSW Government, 'A Way Home: Reducing Homelessness in NSW – NSW Homelessness Action Plan 2009–2014' (2009) 5.

¹⁶ Australian Bureau of Statistics, 'Census of Population and Housing: Estimating Homelessness' (No 2049.0, 12 November 2011) 12.

¹⁷ Australian Bureau of Statistics, *Factsheet: Youth Homelessness* (4 September 2012) 4922.0 - Information Paper - A Statistical Definition of Homelessness, 2012
<http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/4922.0Main%20Features42012?opendocument&tabname=Summary&prodno=4922.0&issue=2012&num=&view=>.

¹⁸ This definition is similar to Mission Australia's concept of "Child and Youth Homelessness": Mission Australia, 'Home & Away: Child and Youth Homelessness Report' (February 2016) 10. It departs from the Australian Government's Institute of Health and Welfare's (AIHW) definition, which is people aged 15 – 24 years old who are currently homeless or currently at risk of becoming homeless: Australian Government AIHW, 'Specialist Homelessness Services 2011–2012' (2012) 42. In 'Youth Homelessness in Australia 2006', the Australian Government Department of Social Services defines the age bracket as 12 – 18 years of age: David MacKenzie and Chris Chamberlain, 'Youth Homelessness in Australia 2006' (Australian Government Department of Social Services, 2008) vii.

Young people are over represented in Australia's homeless population. Of the 105,237 homeless people in Australia, 42% are under the age of 25,¹⁹ and 60% are under 35.²⁰ According to Mission Australia, over 85% of Australia's homeless young people spent time couch surfing before the age of 18. Amongst young Australians who are not currently homeless and who were surveyed by Mission Australia, 38% have couch surfed at some point.²¹

Each year, 12,000 people aged under 25 present alone to specialist homeless services in NSW, representing about a quarter of the State's homeless population.²² From 2011-2014, the proportion of people presenting alone to specialist homelessness services in NSW who were aged 15-25 increased slightly, from 23.3% to 23.5%.²³

Young people face particular risks and challenges when homeless beyond those faced by the homeless population generally. According to Mission Australia:

Young people's experiences of homelessness in Australia, including isolation, fear and trauma, have many similarities to those of other groups, but there are different patterns and causes of child and youth homelessness, in part due to its hidden nature, and different ways of preventing and responding to it.²⁴

For young people, homelessness can result in disrupted schooling and poorer education, health, emotional, behavioural and developmental outcomes.²⁵ It can also damage support networks, community connections and family bonds during formative years of their lives.²⁶ All of these impacts may have long-term consequences, and may make homeless young people more vulnerable to repeat periods of homelessness throughout the rest of their lives.²⁷ Australia's first national longitudinal study investigating the economic, personal and social costs of youth homelessness over time found that only one third of homeless young people over the age of 18 have completed year 12.²⁸ 90% are unemployed, and the vast majority were on some form of income support arrangement.²⁹

Information from the Australian Institute of Health and Welfare indicates that compared with the overall population of people accessing specialist homeless services in 2013-2014, young people presenting were more likely to need assistance with living skills and personal development (35% compared with 21%), education (19% compared with 9%), employment (16% compared with 7%) and training (13% compared with 5%).³⁰

Significantly, experience of homelessness as a young person has been identified as a major determinant of longer term homelessness for adults.³¹ Just over half of the under 25 year olds in Australia who are homeless slept rough for the first time before they turned 18.³²

¹⁹ Homelessness Australia, 'Homelessness in Australia' (Fact Sheet, January 2016).

²⁰ Australian Bureau of Statistics, 'Census of Population and Housing: Estimating Homelessness', above n 7.

²¹ Mission Australia, above n 18, 3.

²² NSW Government Office of Social Impact Investment, 'Market Sounding: Preventing or Reducing Homelessness Among Young People', above n 3.

²³ Ibid, 3.

²⁴ Mission Australia, above n 18, 10.

²⁵ Australian Government AIHW, 'Specialist Homelessness Services 2011-2012', above n 9, 42.

²⁶ Mission Australia, above n 18, 3.

²⁷ Australian Government AIHW, 'Specialist Homelessness Services 2011-2012', above n 9, 42.

²⁸ Paul Flatau et al, 'The Cost of Youth Homelessness in Australia Study' (Snapshot Report No 1, 17 February 2015) 4.

²⁹ Ibid 6.

³⁰ Australian Government AIHW, 'Specialist Homeless Services 2013-2014' (15 Dec 2014).

³¹ Australian Government AIHW, 'Young People Presenting Alone' (2015)

<<http://www.aihw.gov.au/homelessness/specialist-homelessness-services-2014-15/presenting-alone/>>

³² Flatau et al, above n 28.

Mission Australia identifies that the interests of most homeless young people are best served by returning to their families. When this is not safe or appropriate, their age or other needs will often require them to enter the out-of-home care system. It recommends that approaches support young people to engage in education and employment, and to progress towards independent living.³³

Relative to their older counterparts, a smaller proportion of homeless young people need long term housing with intensive support and a greater proportion need short term support with affordable housing (see Insight Box 3.1).

Insight Box 3.1: Youth Homelessness in Sydney³⁴

Homelessness NSW's Inner City Registry Week identified 516 homeless people either rough sleeping or in crisis accommodation, boarding houses or temporary accommodation in the Sydney Local Government Area. 35 (7%) of inner Sydney's homeless people were reported to be under the age of 25. Homeless young people were significantly more likely to have had interactions with police over the previous six months, amassing 1228 interactions over the previous six months, compared to 9,200 for the general population.

Data from the week showed that in order to exit homelessness, 35% of Sydney's homeless population would require long term housing with intensive support, potentially for the rest of their lives, 51% would require short term support and affordable housing, and 14% would require affordable housing with minimal, if any support.

By comparison, in order to exit homelessness, 29% of young homeless people would require housing with intensive support, in some cases for the duration of their lives, 60% would need short term support with affordable housing, and 11% would require only housing.

³³ Mission Australia, above n 18.

³⁴ Homelessness NSW, 'Inner City Sydney Registry week 2015 Report' (Report, February 2016) 5–6, 10–11, 20. Potential discrepancies between these figures and those reported by the Australian Bureau of Statistics, above n 16 and Mission Australia, above n 18, 3, may be the result of methodological differences, as Registry Week statistics may reflect greater access to young people sleeping rough than those experiencing other types of homelessness in inner city Sydney.

3.3 DRIVERS OF YOUTH HOMELESSNESS

The Federal Government White Paper, 'The Road Home'³⁵ describes four main pathways to homelessness:

- Housing stress, often driven by poverty and accumulated debt;
- Family breakdown, particularly driven by domestic violence;
- Poor life transitions, particularly out of the child protection system, prison or statutory care; and
- Untreated mental health and substance use disorders that lead to the loss of housing, education, employment, family and other relationships.

Overcrowding was also identified as a factor, particularly amongst Indigenous people.³⁶ Research shows that cramped living conditions harm family relationships, negatively affect children's education and cause depression, stress and anxiety.

The pathways that lead young people into homelessness today remain similar to those identified by the Burdekin report in 1989, which found family breakdown, conflict, and poverty were the major factors driving a young person out of home.³⁷

In 2015, Paul Flatau et al identified family violence and leaving out-of-home care as the primary drivers of youth homelessness.³⁸ The Government's recognition of the importance of security and stability for children in out-of-home care is reflected in its April 2016 announcement of its interest in developing an impact investment to increase the permanency of children's placements in out of home care.³⁹

According to Flatau et al's longitudinal study into youth homelessness in Australia,

Around one-quarter of [young people] who ran away from home due to violence between parents went to relatives, 32% went to friends while 20% went to the street or park (slept rough). The latter finding underlines the strong relationship between violence in the family home and early onset rough sleeping.⁴⁰

In the 2014–2015 financial year, 41,780 young people were supported by specialist homelessness services in Australia. 52% of them were homeless. The most common reasons they reported for seeking assistance were housing crisis, domestic and family violence, and family or relationship breakdowns.⁴¹ 39% of homeless youth report police having come to their homes on more than one occasion because of violence between their parents or carers. 56% reported that they had left home on at least one occasion because of violence between their parents or carers.⁴²

³⁵ Australian Government, 'The Road Home: A National Approach to Reducing Homelessness' (Report, December 2008), 24.

³⁶ Ibid 2, 6, 17, 50.

³⁷ Brian Burdekin, 'Our homeless children: report of the national inquiry into homeless children' (Report, Australian Human Rights and Equal Opportunity Commission, 1989).

³⁸ Flatau et al, above n 28, 8, 9.

³⁹ NSW Government Office of Social Impact Investment, '2016 Statement of Opportunities' (Report, April 2016), 4–6.

⁴⁰ Flatau et al, above n 28, 9.

⁴¹ Australian Government AIHW, 'Young People Presenting Alone', above n 20.

⁴² Flatau et al, above n 28, 8.

Mission Australia corroborates Flatau et al's finding that young people are particularly vulnerable to homelessness when leaving out-of-home care.⁴³ Two thirds of homeless young Australians were placed in some form of out-of-home care before turning 18. By comparison, children in out-of-home care comprise less than 1% of all Australian children.⁴⁴

Often young people see their relationship with parents or other parent figures as central to their capacity to remain at home.⁴⁵ The connection to family is still important to young people even when family conflict or disruption has led to homelessness. According to Dr Phil Crane, a majority of homeless young people would prefer to stay at home if an acceptable degree of safety and security could be provided.⁴⁶ Unfortunately this is not always the case for young people in homes under physical or emotional stress, often leading to homelessness.

Chamberlain and Johnson have identified that once young people find themselves homeless, 'social adaptation' drives the development of homelessness into chronic homelessness. Once homeless, young people begin to form bonds and a sense of belonging with other homeless youth who have suffered similar experiences to them. These social ties assist them to develop survival strategies which can conflict with attempts to transition into stable housing. Substance abuse can emerge as a way of dealing with stress, and risk becoming habitual. These factors make it increasingly difficult to escape from homelessness and can form part of the pathway to chronic adult homelessness.⁴⁷

Chamberlain and Johnson emphasise that social adaptation does not represent an embrace of homelessness as a way of life, but rather a pragmatic approach to survival. In order to prevent social adaptation to homelessness from taking hold, it must be disrupted by effective educational, psychological, relationship, housing, and, where appropriate, employment support.⁴⁸ Early intervention that supports young people to address their social and psychological needs, complete their education and training, and ultimately find stable accommodation and employment, is therefore essential for addressing youth homelessness.

Mission Australia argues that in order to address the problem of youth homelessness in Australia, early identification of children and young people at risk of becoming homeless, specialist social and psychological support, adequate financial support and opportunity and affordable housing must be prioritised (see Insight Box 3.2).

⁴³ Mission Australia, above n 18.

⁴⁴ Flatau et al, above n 28, 8.

⁴⁵ Crane & Brannock (1996, p.vii)

⁴⁶ Ibid, 2.

⁴⁷ Chris Chamberlain, and Guy Johnson, 'From Youth to Adult Homelessness' (2008) 43(4) *Australian Journal of Social Issues* 563.

⁴⁸ Ibid.

Insight Box 3.2: Mission Australia's priorities for addressing youth homelessness in Australia ⁴⁹

Mission Australia has recently campaigned for a policy objective of halving homelessness by 2020 whilst the Australian Alliance to End Homelessness (AAEH), of which the Mercy Foundation is a member, is continuing to campaign for government to end chronic homelessness. Mission Australia has identified the following priorities for adoption by government and NGOs as potentially instrumental to addressing youth homelessness:

- Early identification of children and young people at risk of becoming homeless, with particular attention to children and young people leaving out-of-home care, including by:
 - rolling out the schools-based youth homelessness identification and intervention model pioneered by The Geelong Project to high-risk communities;
 - introducing youth outreach programs to all high-risk communities; and
 - adopting a zero-tolerance approach to young people leaving the out-of-home care system becoming homeless;
 - Placement of youth specialists in homelessness services who can link young people to other support services and housing;
 - Prioritising provision of crisis accommodation to children and young people facing domestic and family violence;
 - Providing supportive housing for under-18 year olds who cannot be reconnected with their families, including in FOYER-style models;
 - Considering social housing for young people who can live independently;
 - Making affordable housing available to young people on the private rental market;
 - A target of 200,000 net new social homes by 2025;
 - A net year-on-year increase in social and affordable housing in each state and territory;
 - Adequate levels of welfare payments, increasing the Youth Allowance and Commonwealth Rent Assistance; and
 - Inclusionary zoning to require supportive, social and affordable housing in key development sites.
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⁴⁹ Source: Mission Australia, above n 18, 8. For more information on the Geelong Project, see the Geelong Project (2013) <<http://www.thegeelongproject.com.au>>. For more information on the Reconnect Project, see Australian Government Department of Social Services, *Reconnect* (22 March 2016) <<https://www.dss.gov.au/families-and-children/programmes-services/reconnect>>.

INTERNATIONAL HOMELESSNESS IMPACT INVESTMENT MODELS

CHAPTER 4

mercy foundation®



SOCIAL IMPACT HUB



4. INTERNATIONAL HOMELESSNESS IMPACT INVESTMENT MODELS

Having described some social impact investment concepts and outlined the youth homelessness landscape in NSW, this report will now draw insights from impact investment projects in the UK, the USA, and Canada. This will provide the basis for consideration of some possible applications to youth homelessness programs in NSW.

The UK, the USA and Canada are pioneering the use of impact investment mechanisms to prevent and reduce homelessness. This chapter describes their approaches before considering their applicability to the Australian context and lessons we can learn from overseas.

In particular, we examine homelessness programs using the SIB model. As only one fund, the UK Government's Fair Chance Fund, has launched SIBs aimed exclusively at youth homelessness, the chapter considers every SIB to address homelessness that has been implemented to May 2016.

It should be noted that other SIBs, such as Think Forward, a London youth unemployment SIB, and recidivism SIBs such as the Massachusetts Juvenile Justice Pay for Success Initiative and England's ONE Service, affect homelessness among beneficiaries, as they address underlying social and individual drivers. They are described in some detail in the Brookings Institute's report on Social Impact Bonds, *The Potential and Limitations of Impact Bonds*,⁵⁰ which has been a primary resource in developing this chapter.

Table 4.1: Overseas Homelessness SIBs summarises the value and size of the SIBs discussed in this chapter.

⁵⁰ Emily Gustafsson-Wright, Sophie Gardiner and Vidya Putcha, 'The Potential and Limitations of Impact Bonds: Lessons from the First Five Years of Experience Worldwide' (Report, Brookings Institute, July 2015).

Table 4.1: International Homelessness SIBs⁵¹

SIB	Jurisdiction	Size	Investment*
Local Solutions (Fair Chance Fund)	UK (Liverpool and Knowsley)	Approximately 130 young homeless people	£550,000
Your Chance (Fair Chance Fund)	UK (Manchester, Oldham, Rochdale and Greenwich)	Approximately 180 young homeless people	£620,000
Home Group (Fair Chance Fund)	UK (Newcastle, Northumberland, South Tyneside, North Tyneside, Gateshead, Durham and Sunderland)	Approximately 230 young homeless people	£498,000
Fusion Housing (Fair Chance Fund)	UK (Kirklees, Calderdale and Wakefield)	Approximately 261 young homeless people	£940,000
Ambition East Midlands (Fair Chance Fund)	UK (Leicestershire and Derbyshire)	Approximately 340 young homeless people	£600,000
Aspire Gloucestershire (Fair Chance Fund)	UK (Gloucestershire)	Approximately 150 young homeless people	£310,000
Rewriting Futures (Fair Chance Fund)	UK (Birmingham, Coventry, Solihull, Walsall, and Wyre Forest)	Approximately 300 young homeless people	£1,030,000
Street Impact (London Homelessness SIB)	London	416 persistent rough sleepers	£650,000
Thames Reach Ace (London Homelessness SIB)	London	415 persistent rough sleepers	Not publicly available
Partnering for Family Success Program	Cuyahoga County, Ohio	135 recently homeless families	US\$4 million
Chronic Individual Homelessness Pay for Success Initiative	Commonwealth of Massachusetts	Up to 800 chronically homeless adults	US\$24.5 million
Denver Social Impact Bond	Denver	250 chronically homeless people	US\$8.63 million + US\$15 million)
Sweet Dreams	Saskatoon, Saskatchewan	22 single mothers of children under eight who are at risk of requiring child and family services, and their children	CA\$1 million

⁵¹ Ibid. Gustafsson-Wright, Gardiner and Putcha's reporting of a SIB's value is not adjusted for the contribution of government departments and agencies and other stakeholders not party to the SIB. The extent to which a SIB relies on existing services, and whether the contribution of those services are included in the calculation of a SIB's value accounts for some of the discrepancy in the SIBs' reported value.

4.1 UNITED KINGDOM

4.1.1 Homelessness in the United Kingdom

In the UK, the number of individuals sleeping rough has increased every year since 2010. Between 2014 and 2015, England's rough sleeper population rose by 30% to 3,569 people.⁵² In September 2015, nearly 69,000 households were in temporary accommodation in councils across England, a 13% increase on the previous year.⁵³

According to the Centre for Social Impact Bonds, 80,000 (52%) of those seeking help with homelessness are under the age of 25 and make up over half of those living in homelessness accommodation services.⁵⁴

Moreover, 60% of young homeless people in the UK are not in education or training. Despite their efforts, local councils have succeeded in preventing only one in five cases of youth homelessness.⁵⁵ According to Denise Hatton, National Secretary and CEO of YMCA England,

Our own research shows that nine in 10 of our YMCAs have been unable to accept referrals in the past due to a lack of bed spaces while evidence also shows that rough sleeping in London among 18 to 25-year-olds is on the rise.⁵⁶

The cost of homelessness to the UK Government is estimated at approximately £1 billion annually, not including the full range of indirect costs such as health or benefit expenditure.⁵⁷ According to the Prince's Responsible Business Network, each homeless person on benefits who could be considered 'ready for work' costs the government approximately £26,000 per annum.⁵⁸

Addressing homelessness became a clear priority for the UK Government in 2014. That year, it announced plans to spend £470 million (around AU\$906 million) over the following four years on homelessness prevention.⁵⁹ Key initiatives include:

- **No Second Night Out**, which focuses on providing a rapid response to first-time rough sleepers so that they do not have to sleep out for a second night;
- **Street Link 24/7**, a website, hotline and app that facilitates reporting rough sleeping to homelessness services;

⁵² Homeless Link, *Rough Sleeping – Explore the Data* <<http://www.homeless.org.uk/facts/homelessness-in-numbers/rough-sleeping/rough-sleeping-explore-data>>.

⁵³ UK Government Department for Communities and Local Government, 'Statutory Homelessness: July to September Quarter 2015 England' (Statistical Release, 17 December 2015).

⁵⁴ UK Government Cabinet Office Centre for Social Impact Bonds, *Fair Chance Fund* <https://data.gov.uk/sib_knowledge_box/fair-chance-fund>.

⁵⁵ Ibid.

⁵⁶ Andrew Burns and Theo Hooper, 'UK Budget 2016: Charities Condemn "Short-Term" Solutions to Homelessness', *The Big Issue* (online) 16 March 2016 <<http://www.bigissue.com/the-mix/news/6373/uk-budget-2016-charities-condemn-short-term-solutions-to-homelessness>>.

⁵⁷ UK Government Department for Communities and Local Government, 'Evidence Review of the Costs of Homelessness' (Report, August 2012).

⁵⁸ Business in the Community, 'Making Work, Work' (Report, January 2009) 2.

⁵⁹ UK Government, 'Government Expanding Support to Beat Homelessness' (Press Release, 10 June 2014).

- **The Homelessness Transition Fund**, a program administered by Homeless Link that between 2011 and 2014 provided £20 million in grants to 175 projects in order to implement No Second Night Out, develop other innovations to end rough sleeping, and protect and enhance essential homelessness services through supporting business development activities to become sustainable;⁶⁰ and
- the £16 million **Youth Engagement fund**, which was launched to aid disadvantaged young people not in education, employment or training (NEET), and to help people to avoid falling into this situation. Funded programs support up to 18,000 people between 14 and 17 across more than 100 schools in England.⁶¹

4.1.2 United Kingdom Homelessness SIBs

The United Kingdom invented social impact bonds and has one of the most advanced legislative and policy frameworks for supporting them. Like the NSW Government's Department of Premier and Cabinet's Office of Social Impact Investment, the UK Prime Minister's Cabinet Office hosts the Centre for Social Impact Bonds, tasked with guiding developing SIBs, sharing information on outcomes-based commissioning and supporting the growth of the social investment sector.⁶² In November 2012, the Cabinet Office launched a £20 million Social Outcomes Fund to contribute to SIBs where government savings accrue over a number of departments.⁶³

4.1.2.1 FAIR CHANCE FUND

The Centre for Social Impact Bonds launched the Fair Chance Fund in December 2014. The program commenced in January 2015 and will continue until December 2018. With a budget of £10 million from the Department for Communities and Local Government and £5m from the Cabinet Office, the funding has led to the creation of seven regional SIBs. These aim to tackle youth homelessness by improving the long-term situations of 18-24 year olds who are not in education, employment or training, by assisting them into accommodation, education or training, and sustained employment or volunteering.⁶⁴

The funding allows service providers to develop solutions that can be tailored to local contexts and the individual beneficiary's needs. Local authorities are responsible for referring beneficiaries to service providers.⁶⁵

In addition to achieving direct outcomes for beneficiaries, the Centre for Social Impact Bonds identifies 'Greater savings for [central and local] government from lower dependency on accommodation and care services', and greater public revenue 'as a result of the individual's employment' as the SIBs' direct societal impacts. Moreover, it is hoped that these SIBs will spark innovative solutions to youth homelessness, and provide a model for similar projects in the future.⁶⁶

⁶⁰ Homelessness Transition Fund, 'Three years of transition: The Homelessness Transition Fund 2011 to 2014' (Evaluation summary, 2015).

⁶¹ UK Government, '£30 million boost to improve the lives of Britain's most vulnerable young people' (Press Release, 30 April 2014).

⁶² UK Government Cabinet Office Centre for Social Impact Bonds, *Fair Chance Fund*, above n 54; Gustafsson-Wright, Gardiner and Putcha, above n 50, 33.

⁶³ Gustafsson-Wright, Gardiner and Putcha, above n 50, 33.

⁶⁴ UK Government Cabinet Office Centre for Social Impact Bonds, *Fair Chance Fund*, above n 54.

⁶⁵ Ibid.

⁶⁶ Ibid.

The SIBs' investors include Bridges Ventures, Social Entrepreneurs Fund (contributors to both funds include Big Society Capital, the European Investment Fund, Deutsche Bank Social Investments, J.P. Morgan Social Finance, Bridges Charitable Trust, The Prince's Charities, Omidyar Network, Panahpur, Esmeé Fairbairn Foundation, Highwood Foundation, the U.K. Cabinet Office, Nesta, Trust for London, Greater Manchester Pension Fund, and Merseyside Pension Fund), the Key Fund and Montpellier Foundation. Social Finance UK, Numbers4Good and Triodos Bank UK have provided advisory services.⁶⁷

In order to be eligible for the program, beneficiaries must be aged 18-24 (21-24 if the individual spent time in state out-of-home care while under age 18), not in education, employment or training, homeless, as defined in homelessness legislation, but not in priority need, and a priority for local authority support but unable to be accommodated in a supported housing scheme. Young people in priority need but deemed intentionally homeless may also be supported at the discretion of the Local Authority.⁶⁸

Service providers become entitled to payment upon beneficiaries achieving assessment, accommodation, entry into training or education, and entry into full time employment or long term volunteering (see **Table 4.2: Fair Chance Fund Payment Model**), as evaluated by data submitted by service providers and validated by data the Department for Communities and Local Government. It is worth noting that these milestones do not need to be compared to anything else before payments are made by government. They do not depend on a calculation of what might have happened in the absence of the programs.

The Department for Communities and Local Government pays for achievement of each outcome by each beneficiary.⁶⁹ Outcome payments are initially recycled to continue service delivery, before being repaid to investors. Service providers were invited to bid to deliver the project for less than the stipulated maximum payments. The level of bid discount was factored into the bid scoring mechanism to decide which bidders were awarded contracts.⁷⁰

Each type of outcome can only be claimed once, and the total value of outcome payments claimable for support provided to an individual participant is limited to £17,000. There is also a cap on total outcome payments from the Department for Communities and Local Government for each project.⁷¹

Unless otherwise noted in the discussion below, repayments are made quarterly by the Department for Communities and Local Government and the Cabinet Office, and repayments to investors are made as and when approved by project leadership.⁷²

Besides Home Group, for which investors are 90% liable, investors are liable for the full amount of their investment. Social Finance UK and Triodos Bank have been intermediaries in many of the SIBs implemented through the Fair Chance Fund, variously by supporting organisations to develop their bids, raise capital and deliver their services, and by playing ongoing advisory roles.⁷³

⁶⁷ UK Government Cabinet Office Centre for Social Impact Bonds, *Fair Chance Fund*, above n 54; Gustafsson-Wright, Gardiner and Putcha, above n 50, 88–100.

⁶⁸ UK Government Department for Communities and Local Government and Cabinet Office, 'Fair Chance Fund: Full Bid Specification Documentation' (Bid specification documentation, June 2014) 9.

⁶⁹ Ibid, 20.

⁷⁰ Gustafsson-Wright, Gardiner and Putcha, above n 50, 89–91.

⁷¹ Ibid.

⁷² Ibid, 50, 88–89.

⁷³ Ibid 88–100.

These SIBs are currently in their early phases, and no information on their progress is yet publicly available. Their lessons will be salient to any potential SIB addressing youth homelessness in NSW. Each Fair Chance Fund SIB is discussed below.

Table 4.2: Fair Chance Fund Payment Model⁷⁴

Assessment

(Can be claimed within 9 months of registering an individual onto the scheme)

Initial Assessment Fee	£500
Second Assessment	£500
Third Assessment	£200
Maximum assessment fee payment	£1,200

Accommodation

Move into accommodation	£500
Accommodation sustained for 3 months	£1,500
Accommodation sustained for 6 months	£1,500
Accommodation sustained for 12 months	£1,500
Accommodation sustained for 18 months	£1,500
Maximum total accommodation payment	£6,500

Education and Training

Entry into Education or Training	£500
Individual's first Entry level qualification (including Maths and/or English)	£1,500
Level 1 Qualification	£2,500
Individual's first full level 2 or equivalent	£3,500
Maximum total education payment	£8,000

⁷⁴ Source: UK Government Department for Communities and Local Government and Cabinet Office, 'Fair Chance Fund: Full Bid Specification Documentation' above n 68, 20–21.

Volunteering and Employment

6 weeks volunteering (6 to 16hrs)	£500
13 weeks volunteering (6 to 16hrs)	£500
20 weeks volunteering (6 to 16hrs)	£250
26 weeks volunteering (6 to 16hrs)	£250
Entry into Employment	£500
13 weeks P/T Employment	£3,000
26 weeks P/T Employment	£2,000
13 weeks F/T Employment	£4,500
26 weeks F/T Employment	£3,500
Maximum total employment payment	£15,000

Local Solutions

The Local Solutions SIB has been implemented in Liverpool and Knowsley, North West England, supported by a £550,000 investment. Approximately 130 young people are expected to participate in the program. The intervention consists primarily of support workers providing intensive one-on-one support to help clients find accommodation, progress in education or training, and attain full time employment or long term volunteering. The project is being delivered in close collaboration with a local educational college.

Your Chance

Your Chance has been implemented by DePaul UK in Manchester, Oldham and Rochdale, North West England and Greenwich, Greater London, supported by a £620,000 investment by investors including the Montpelier Foundation. Approximately 180 young people are expected to participate in the program. As with Local Solutions, the intervention consists primarily of support workers providing intensive one-on-one support to help clients find accommodation, progress in education or training, and attain full time employment or long term volunteering.

Home Group

The Home Group SIB has been implemented in Newcastle, Northumberland, South Tyneside, North Tyneside, Gateshead, Durham and Sunderland, North East England, supported by a £498,000 investment by Northstar Ventures, for which it is 90% liable. Approximately 230 young people are expected to participate in the program, which aims to provide accommodation, education, volunteering and employment opportunities.

Fusion Housing

The Fusion Housing SIB has been implemented in Kirklees, Calderdale and Wakefield, Yorkshire and the Humber, supported by a £940,000 investment by Bridges Ventures, a fund whose contributors include Big Society Capital, the European Investment Fund, Deutsche Bank Social Investments, JP Morgan Finance, The Prince's Charities, Omidyar Network, and many others, and the Key Fund.

Approximately 261 young people are expected to participate in the program. The project aims to establish three multi-disciplinary support teams based at a hub in each local authority.

The teams provide a range of services tailored to the individual client's needs, including support to maintain tenancy, education training or training for employment.

Ambition East Midlands

Ambition East Midlands has been implemented in Leicestershire and Derbyshire by P3 (People Potential Possibilities), The Y in Leicester, and YMCA Derbyshire. Approximately 340 young people are expected to participate in the program. Like Local Solutions and Your Chance, the intervention consists primarily of support workers providing intensive one-on-one support to help clients find accommodation, progress in education or training, and attain full time employment or long term volunteering. The project is also being delivered in close collaboration with a local educational college.

The SIB's senior investment is £330,000 from Key Fund and Big Issue Invest. Retail investors, qualifying for Sitr, contributed £150,000. P3, The Y in Leicester, and YMCA Derbyshire made an equity investment of £120,000.

The senior investment is debt with a set interest rate (which is not publicly available). Key Fund and Big Issue Invest may also receive a small variable profit-share 'kicker', payable at the end of the program depending on performance, for which Sitr investors are not eligible.

The Sitr investment also takes the form of a debt instrument. It ranks behind the Key Fund and Big Issue Invest loan, but ahead of the equity contributed by P3, The Y in Leicester and YMCA Derbyshire. The equity investors will be paid what remains in the Special Purpose Vehicle after the senior investors have been repaid, so returns could vary widely depending on the project's success.

In addition to the £17,000 cap on outcome payments per claimant, there is also a £2.95 million cap on total outcome payments from the Department for Communities and Local Government. Not all of that amount would go to investors, as part of it would be reinvested in the program itself.⁷⁵

Aspire Gloucestershire

Aspire Gloucestershire has been implemented in South West England by P3 and County Community Projects. Approximately 150 young people are expected to participate in the program, which will help to place them with external housing providers, and to connect them with employment and education services.

CAF Venturesome have invested £205,000, and retail investors benefitting from Sitr have invested £45,000 in the SIB. P3 and CCP have invested £60,000 in equity.

CAF and the retail investors' investment is a debt investment with a set interest rate which is not publicly available. CAF may also receive a small variable profit-share "kicker" payable at the end of the program dependent on performance, for which the Sitr investors are not eligible.

The Sitr investment takes the form of a debt instrument ranking behind the CAF loan but ahead of the P3 and CCP equity.

Outcome payments are claimed quarterly by CAF Venturesome and the retail investors in arrears. Lenders are to be repaid at program completion, although debt holders have a right to early repayment in certain circumstances. Equity investors are repaid at completion.

⁷⁵ Gustafsson-Wright, Gardiner and Putcha, above n 50, 96–97.

In addition to the £17,000 cap on outcome payments per claimant, there is also a cap on total outcome payments from the Department for Communities and Local Government of £1.45m. Once again, as with the Ambition East Midlands SIB, part of that amount would be reinvested in the program.⁷⁶

Rewriting Futures

Rewriting Futures has been implemented in Birmingham, Coventry, Solihull, Walsall, and Wyre Forest, West Midlands by St Basils, supported by a £1.03m investment. Approximately 300 young people are expected to participate in the program, which is also based on intensive one-on-one support provided by support workers, helping clients to find accommodation, progress in education or training, and attain full time employment or long term volunteering.

4.1.2.2 LONDON HOMELESSNESS SOCIAL IMPACT BOND (LONDON SIB)

The London SIB, commissioned by the Greater London Authority (GLA) with £5 million funding from the UK Government's Department for Communities and Local Government, was launched in March and began operations in November 2012. Pre-dating the Fair Chance Fund, it ran for three years, with investors repaid over four years. In its Spending Review and Autumn Statement 2016, the UK Government announced it would expand its support for SIBs,⁷⁷ and in the 2016 Budget, it announced it would double its funding for the SIB to £10 million.⁷⁸ While it is not yet clear how this additional funding will be utilised, the announcement, along with the implementation of the Fair Chance Fund, is a clear signal of the UK Government's satisfaction with the SIB.

The GLA commissioned homelessness charities St Mungo's and Thames Reach to deliver frontline services to a named, fixed cohort of 831 entrenched rough sleepers in London.⁷⁹ 48 % of the cohort had an alcohol support need, 29% had a substance misuse support need, and 44% had a mental health support need. 49% were not UK citizens.⁸⁰ The London SIB was designed to address a gap between RS205, a program focussed on a defined cohort of entrenched rough sleepers with more complex needs, and No Second Night Out.⁸¹

Social investors, including CAF Venturesome, Big Issue Invest and the Orp Foundation provided upfront funding. Returns on investments took the form of outcomes payments from the GLA, due once specific outcomes had been achieved.⁸²

⁷⁶ Gustafsson-Wright, Gardiner and Putcha, above n 43, 98–99.

⁷⁷ UK Government HM Treasury, *Policy Paper: Spending review and autumn statement 2015* (27 November 2015) <<https://www.gov.uk/government/publications/spending-review-and-autumn-statement-2015-documents/spending-review-and-autumn-statement-2015>>.

⁷⁸ UK Government HM Treasury, *Policy Paper: Budget 2016* (16 March 2016) <<https://www.gov.uk/government/publications/budget-2016-documents/budget-2016>>.

⁷⁹ UK Government, Department for Communities and Local Government, 'Qualitative Evaluation of the London Homelessness Social Impact Bond' (Second Interim Report, March 2015) 2.

⁸⁰ Ibid 14.

⁸¹ Ibid.

⁸² Tamsyn Roberts, *The Centre for Social Impact Bonds* (22 October 2013) UK Government Civil Service Quarterly Blog <<https://quarterly.blog.gov.uk/2013/10/22/the-centre-for-social-impact-bonds>>.

The London SIB's goals were to reduce the proportion of regular rough sleepers returning to London's streets, reduce admissions to hospital accident and emergency units, and to move rough sleepers into settled accommodation and employment.⁸³ Successful outcomes were deemed to include assisted voluntary repatriation, administrative removal or deportation for non-UK nationals where that outcome was considered appropriate.⁸⁴ The payment by results structure adopted is outlined in **Table 4.3: London SIB Payment Model**.

Delivery of the project was preceded by a feasibility study that featured 'a wide-ranging consultation and evidence review to identify an effective intervention model.'⁸⁵ The model focussed on effective practice rather than a defined intervention.

⁸³ UK Government, Department for Communities and Local Government, 'Qualitative Evaluation of the London Homelessness Social Impact Bond', above n 79.

⁸⁴ Ibid 14.

⁸⁵ Ibid 4.

Table 4.3: London SIB Payment Model⁸⁶
Accommodation

Initial accommodation	£700
Accommodation sustained for 12 months	£7,000
Accommodation sustained for 18 months	£3,000

Reconnection (move by non-citizen to another country)

Initial reconnection	£800
Six months' reconnection	£6,100

Volunteering and Employment

13 weeks volunteering/ self-employment	£200
26 weeks volunteering/ self-employment	£600
13 weeks P/T Employment	£500
26 weeks P/T Employment	£1,500
13 weeks F/T Employment	£1,300
26 weeks F/T Employment	£4,000

Education and Training

Level 2 Qualification	£400
Individual's first full level 2 or equivalent	£3,500

Comparison to Baselines

Payment per individual above given baseline not seen rough sleeping in given quarter	£3,800 for first four quarters, £2,400 thereafter
Payment per accident and emergency service use avoided beyond baseline per year	£100

Note: The Department of Communities and Local Government paid for one or more outcomes per participant. Each outcome was claimable only once per participant. Service providers were invited to bid to deliver the project for less than the amounts stipulated, which contributed to the determination of the award of the contract.

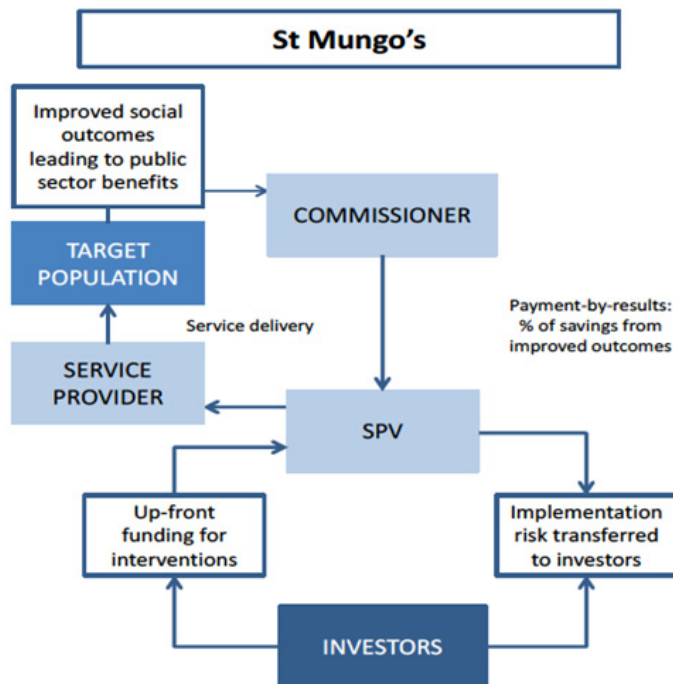
'Baselines' are rates agreed between stakeholders, improvements upon which qualify for payment.

⁸⁶ Ibid 16.

Street Impact

Street Impact was implemented by St Mungo's Broadway, with £650,000 in funding from CAF Venturesome, the Orp Foundation, and other individual investors, and a £237,000 subordinate investment from St Mungo's itself. The funds were invested through a special purpose vehicle which held the risk of underperformance. St. Mungo's Broadway was to be paid the remainder of the special purpose vehicle after the senior investors had been repaid.

Figure 4.1: Street Impact SIB Structure⁸⁷



The project was aimed directly at 416 persistent rough sleepers in London. Under the scheme, the Department for Communities and Local Government paid St Mungo's Broadway for meeting accommodation, education and employment targets, as well as reductions in beneficiaries' rough sleeping and use of accident and emergency services. Outcomes were evaluated by historical comparison of data. Each participant had his or her own individual intervention plan, personalised budget and "personal navigator", a staff member responsible for connecting them with situation-appropriate programs. This provided a more flexible approach than existing services, and a more focused, long-term relationship with a single advocate.

Outcome payments were claimable from the Department for Communities and Local Government quarterly in arrears. Debt investors were paid at program completion and St Mungo's as equity investor was paid at completion.⁸⁸

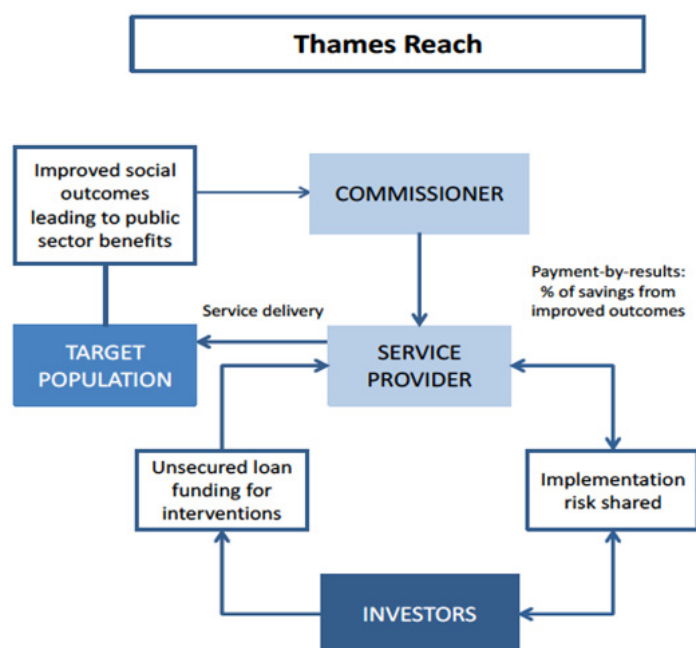
⁸⁷ Ibid 4.

⁸⁸ Ibid 3, 4, 14–18; Gustafsson-Wright, Gardiner and Putcha, above n 50, 80–81.

Thames Reach Ace

Thames Reach Ace was implemented by Thames Reach. Thames Reach funded its intervention through unsecured loans from Big Issue Invest, the Department of Health Social Enterprise Investment Fund, and other individuals, thereby sharing the risk. Thames Reach also invested its own equity, to be repaid after repayment of principal and interest to senior investors.

Figure 4.2: Thames Reach Ace SIB Structure⁸⁹



The project was aimed directly at 415 persistent rough sleepers in London. As with Street Impact, the Department for Communities and Local Government paid Thames Reach for meeting accommodation, education and employment targets, as well as reductions in beneficiaries' rough sleeping and use of accident and emergency services. Outcomes were evaluated by historical comparison of data. Each participant had his or her own individual intervention plan, personalised budget and personal navigator.

At the end of its first year, Thames Reach reorganised its team to shift its approach to supporting clients who had reached stable accommodation. Two navigators were made responsible for working with rough sleepers and clients in hostels, and two were made responsible for supporting those in more settled accommodation, assisted by three assistant support workers.⁹⁰

⁸⁹ UK Government, Department for Communities and Local Government, 'Qualitative Evaluation of the London Homelessness Social Impact Bond', above n 79, 4.

⁹⁰ Ibid 3, 4, 14–18; Gustafsson-Wright, Gardiner and Putcha, above n 50, 82–83.

Evaluating the London SIB

Although the term of the London SIB is complete, its final evaluation report has not yet been released. There is, however, sufficient evidence of its successes and lessons to draw out some preliminary insights.

The Second Interim Report, released in March 2015, reported that although in some quarters targets were not met across all metrics, by the end of the third quarter of the project's second year, 252 beneficiaries had entered stable accommodation, including 119 for 12 months and 33 for 18 months, considerably beyond the targets of 201, 82 and 18 respectively.⁹¹ Although progress was made over each of the other metrics, targets were not met in any of them. Health data was not available, as its release was objected to by the Health and Social Care Information Centre.⁹² One hundred and sixty two members of the cohort had disappeared, and 21 had died.⁹³

Although the targeted reduction in rough sleeping was surpassed in the first year, it was not met in any of the first three quarters of the second year. Nevertheless, the number of rough sleepers remaining within the cohort dropped significantly to 134 by the end of that quarter, representing a considerable reduction. Failure to meet the target may reflect more on the target itself than the achievement of the service providers. According to the report, 'Both providers noted that their targets had been set in the absence of comprehensive data about the cohort on which to base their predictions.'⁹⁴ One investor reported that performance was trending towards a slightly higher return than was expected.⁹⁵ This was largely due to strong achievement in the outcome of stable accommodation, which accounted for 40% of available payments.⁹⁶

According to the GLA's Update Paper, by the end of April 2015, 89% of participants were no longer seen sleeping rough, and the number of participants moving into full time employment and accommodation was exceeding preliminary targets.

However, some of the providers' initial targets, specifically those around reconnections abroad and part time work or volunteering, have not yet been achieved. Performance around reconnections has, however, been improving as the project has progressed. In addition, while the numbers moving into part time work or volunteering have been lower than expected, the numbers securing full time work have been higher.⁹⁷

⁹¹ UK Government, Department for Communities and Local Government, 'Qualitative Evaluation of the London Homelessness Social Impact Bond', above n 79, 19–20.

⁹² Ibid 21.

⁹³ Ibid 21.

⁹⁴ Ibid 21.

⁹⁵ Ibid 22.

⁹⁶ Ibid 6, 31–32.

⁹⁷ Jamie Ratcliff, 'Social Impact Bond for Rough Sleepers Update' (Paper presented at GLA Investment and Performance Board Meeting, 18 August 2015) at [3.4].

By the end of Quarter 10 of the project (the end of April 2015):⁹⁸

- contact had been made with 87% of the cohort;
- at least one of the stated outcomes had been achieved for 402 clients (48% of the cohort);
- 380 (46% of the cohort) clients had been supported off the streets (accommodation or reconnection);
- there had been a continued reduction in the number of clients seen bedded down (11% of the cohort seen in Q10);
- the numbers moving into accommodation and employment (282 and 49 respectively), and sustaining these, had exceeded the targets set by providers at the outset of the project;
- the number of reconnections abroad had fallen short of the providers' targets. However, performance was improving;
- broadly, people with support needs (alcohol, drugs and mental health), including those with high support needs, were as likely as those with no support needs to have moved into accommodation, but are less likely to have secured employment. Non-UK nationals were significantly more likely than those from the UK to have obtained employment or qualifications.

The GLA update noted 'marked differences between the performance of the two providers, with one performing better on the rough sleeping and reconnections outcomes and the other performing better on those for accommodation and employment.'⁹⁹

In an undated document available from the Thames Reach website, Thames Reach reports that funding from the SIB allowed the creation of personal budgets for each beneficiary, which gave 'workers more autonomy to spend money within agreed limits so that opportunities', particularly fleeting ones such as a space in a hotel, 'could be seized promptly.' Longer term, these allowed client-specific expenditure on, for example, swimming lessons for a client determined to improve their health after getting off the street, boots for a client who found work, a Playstation for a client who was struggling to adapt to accommodation, and a football coaching qualification for a client who wished to become more involved in the community.¹⁰⁰

An important response to the progress metrics has been the abandonment of the 'traditional pathway' from rough sleeping to stable accommodation via a hostel, to direct placement in stable accommodation, or placement in stable accommodation after only a very brief stay in a hostel. Thames Reach reports that this has not led to high levels of tenancy failure, as may have been feared.¹⁰¹

Thames Reach also abandoned the orthodox preference for giving clients 'time to settle in accommodation before seeking to get the skills and knowledge required to return to work', instead commencing training for willing participants as quickly as possible, through partnerships developed with McKinsey & Company, a food catering company and University College Hospital.¹⁰²

⁹⁸ Ibid, [4.1].

⁹⁹ Ibid, [4.3].

¹⁰⁰ Thames Reach, 'Social Impact Bond for Entrenched Rough Sleepers: Key Areas of Learning' (Report 2016) 2.

¹⁰¹ Ibid 3.

¹⁰² Ibid 3, 4.

4.1.3 The Youth Engagement Fund

The £16 million Youth Engagement Fund was launched alongside the Fair Chance Fund as part of a single strategy for reducing homelessness and improving outcomes for young people. Whereas the Fair Chance Fund is directed towards supporting 18 – 24 year olds into housing, the Youth Engagement fund is aimed at 14-17 year olds. It is also a SIB fund, which aims to fund projects implemented to improve young people's employability, reduce their long term dependency on benefits, and reduce their likelihood of offending.¹⁰³ Four projects have been launched using this funding:¹⁰⁴

- Unlocking Potential Ltd: working with up to 4,040 young people with behavioural, mental health or wellbeing issues aged 14-17 in Greater Merseyside;
- Prevista Ltd: working with up to 1,000 young people aged 14 to 17 in London, 70% of whom will be gang members, ex-offenders/at risk of offending, in care/care leavers, and those with high levels of school absence;
- Futureshapers Sheffield Ltd: working with up to 1,319 young people aged 14 to 17 in Sheffield who have poor attendance at or have been excluded from school, who have experience in the youth justice system, are 'looked after', have special educational needs or disability, or are teen parents; and
- Teens and Toddlers Youth Engagement LLP: working with up to 1,680 young people aged 14 to 17 years in Greater Manchester who are in care/edge of care, have a history of offending/at risk of offending and/or other risky behaviour (e.g. drugs/teen pregnancy), have behavioural or mental health issues and are truanting.

4.1.4 SITR

The UK Government introduced SITR in 2014 to encourage investment in charities and social enterprises. It will be available for investments made and capital gains arising between April 2014 and 2019. Under the policy, investors can claim income tax relief at 30% of the amount invested and other forms of capital gains relief arising from social investments that meet the conditions of the program.¹⁰⁵ To be eligible, the enterprise must receive HM Revenue and Customs Approval. Enterprises must have a defined and regulated social purpose, fewer than 500 employees and gross assets of more than £15 million. Other conditions also apply to investors and enterprises.¹⁰⁶

In November 2015, Social Finance and Kin Capital launched the UK's first national social investment tax relief fund, the Bright Futures Fund. The Fund intends to work towards meeting the social sector demand for investment capital. It is currently looking to provide £100,000-£250,000 of 3-5 year unsecured debt to approximately 12 qualifying expanding charities and social enterprises who meet revenue and trading history requirements and support children, young people and social groups including the homeless.¹⁰⁷

¹⁰³ UK Government, '£16 million Youth Engagement Fund promoted around the country' (Press Release, 14 July 2014).

¹⁰⁴ UK Government, 'New social impact bonds to support public services' (Press Release, 19 March 2015).

¹⁰⁵ Social Finance, 'First National Social Investment Tax Relief Fund Launched' (Press Release, 24 November 2015).

¹⁰⁶ For further detail, see

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/389931/investors-process.pdf,
<https://www.gov.uk/government/publications/social-investment-tax-relief-factsheet/social-investment-tax-relief>,
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/378085/se-guide.pdf

¹⁰⁷ Social Finance, 'First National Social Investment Tax Relief Fund Launched' (Press Release, 24 November 2015).

4.2 UNITED STATES OF AMERICA

4.2.1 Homelessness in the United States of America

According to the US Department of Housing and Urban Development, there were 610,042 homeless people in the US in January 2013. 65% had shelter, and 35% lived in unsheltered locations. The total number of homeless people declined by 4% from 2012 to 2013, and by 9% since 2007. The reduction of homelessness in the US has been a goal pursued by the Obama Administration since the 2010 announcement of the *Opening Doors: Federal Strategic Plan to Prevent and End Homelessness* plan. Included in this Plan was the ambitious goal of ending chronic homelessness in the USA by 2015.¹⁰⁸ In the 2016 budget, the President has called for nearly \$5.5 billion in targeted homelessness assistance.¹⁰⁹

4.2.2 United States of America Homelessness SIBs

The White House established a Social Innovation Fund within the Corporation for National and Community Service, which awarded grants to eight organisations to facilitate the development of SIBs in 2014. The Obama administration also tried to establish a national fund to support outcome funding for SIBs, however, Congress has so far failed to approve budget appropriations.¹¹⁰ Harvard Kennedy School's Government Performance Lab provides technical assistance to state and local governments in order to help them structure SIBs for their jurisdictions.¹¹¹

4.2.2.1 PARTNERING FOR FAMILY SUCCESS PROGRAM

The Partnering for Family Success Program was launched in December 2014, targeting family homelessness and child welfare in Cuyahoga County, Ohio. The program will reach 135 families, including approximately 270 children, who have recently been homeless. 60% of the children reached are anticipated to be under the age of six. The program will run for five years, with each family receiving intensive treatment for a period of 12–15 months.¹¹²

Under the agreement, the SIB funds homelessness service provider FrontLine's Critical Time Intervention, which links families to public and voucher-based housing provided by the Cuyahoga Metropolitan Housing Authority, Emerald Development & Economic Network, Inc, and Famicos Foundation, and provides emotional and practical support during the transition from homeless shelter to stable housing. FrontLine also provides age-appropriate and evidence-based trauma services to strengthen carer-child relationships. The Critical Time Intervention model anticipates that by providing carers access to housing before being reunited with their children, they can participate more effectively in mental health services, substance abuse counselling, and job interviews in advance of reunification. This also aims to allow increased child visitations in a safe and stable home environment during that time. These factors are intended to improve prospects of the County's Division of Children and Family Services granting reunification decisions to these families sooner.¹¹³

¹⁰⁸ US Department of Housing and Urban Development, 'The 2013 Annual Homelessness Assessment Report (AHAR) to Congress' (Report, 2013) 1.

¹⁰⁹ United States Interagency Council on Homelessness, 'The President's 2016 Budget: Fact Sheet on Homelessness Assistance' (Fact sheet, 2016) 1.

¹¹⁰ Gustafsson-Wright, Gardiner and Putcha, above n 50, 33–34.

¹¹¹ Harvard Kennedy School Government Performance Lab, *The Government Performance Lab* <<http://hks-siblab.org/about-us?>>>.

¹¹² Frontline Service et al, 'Fact Sheet: The Cuyahoga Partnering for Family Success Program' <http://www.payforsuccess.org/sites/default/files/141204_cuyahoga_pfs_fact-sheet.pdf> 1.

¹¹³ Ibid 2.

The Reinvestment Fund has invested US\$1.575 million as senior investors, while the George Gund Foundation, Nonprofit Finance Fund, the Cleveland Foundation, and Sisters of Charity Foundation of Cleveland have contributed US\$2.275 million as a subordinate investment. Sisters of Charity Foundation of Cleveland has contributed US\$150,000 in recoverable grants and investment guarantees. Subordinate investors will be paid once senior investors have been paid principal and interest, and grants will be recovered once both senior and subordinate investors have been paid principal and interest. Investors will receive a lump payment from the outcome funder at the project's completion.

The County will pay US\$75 each day not spent in foster care for each child.¹¹⁴ This figure represents the current combined average cost of foster care and related placement services. Case Western Reserve University will measure the effect of the SIB by comparing outcomes for beneficiary families to a randomised control group of the same size.¹¹⁵

The project's target impact is a 25% reduction in days spent in foster care by the treated population. All funders will be repaid their principal investment plus base annual interest if the target is hit. If the target is exceeded, subordinate funders will receive up to \$1 million in success fees that represent additional savings to the County. The George Gund Foundation intends to recycle any success fees into future pay for success projects, and the Sisters of Charity Foundation of Cleveland will reinvest any repaid grant funding into FrontLine for capacity building.¹¹⁶

Payment terms are set out in Table 4.4.

¹¹⁴ Ibid 4.

¹¹⁵ Ibid 3.

¹¹⁶ Ibid 4.

Table 4.4: Partnering for Family Success Program Payment Model¹¹⁷

Payment terms are based on reduced out-of-home care placement (OOHCP) days for 135 families.

Per Cent Reduction in OOHCP Days	Gross Savings for Cuyahoga County	Success Payments by Cuyahoga County	Net Savings for Cuyahoga County
50%	US \$8,500,000	US \$5,000,000	US \$3,500,000
40%	US \$6,800,000	US \$5,000,000	US \$1,800,000
30%	US \$5,100,000	US \$4,550,000	US \$550,000
25%	US \$4,250,000	US \$4,125,000	US \$130,000
20%	US \$3,400,000	US \$3,400,000	US \$0
10%	US \$1,700,000	US \$1,700,000	US \$0

The project's target impact is a 25% reduction in OHP days for the treated population. At this level of impact, all funders would be repaid their principal investment and base annual interest.

4.2.2.2 CHRONIC INDIVIDUAL HOMELESSNESS PAY FOR SUCCESS INITIATIVE

Massachusetts' Chronic Individual Homelessness Pay for Success Initiative was also announced in December 2014 and is administered by the Massachusetts Housing and Shelter Alliance (MHSA), a non-profit public policy organisation.

The initiative builds on MHSA's successful Home & Healthy for Good program, which placed over 800 individuals into permanent housing between 2006 and January 2015, resulting in 'tremendous savings in health care costs, especially hospitalisations'.¹¹⁸ MHSA estimates that it saves the State an annual \$9,339 per tenant housed through the program.¹¹⁹ The SIB funding will expand the model in existing locations and introduce it in new ones.

Massachusetts has a homeless population estimated at 2000–3000.¹²⁰ The program aims to provide up to 550 units of supportive housing for up to 800 chronically homeless individuals over six years. The supportive housing is affordable for people with low-incomes and provides residents with case management services and other community support.¹²¹

MHSA partnered with the Corporation for Supportive Housing, United Way of Massachusetts Bay and Merrimack Valley to form the Massachusetts Alliance for Supportive Housing (MASH), a special purpose subsidiary of MHSA. MHSA led program development, oversight and service coordination, United Way raised the capital and serves as financial manager, and CSH provides technical assistance for the initiative on national best practices.¹²² The Harvard Kennedy School SIB Lab also assisted the Government during deal development.¹²³

¹¹⁷ Ibid 4.

¹¹⁸ Massachusetts Housing and Shelter Alliance, *Pay for Success* <<http://www.mhsa.net/PFS>>.

¹¹⁹ Massachusetts Housing and Shelter Alliance, 'Home and Healthy for Good – Permanent Supportive Housing: A Solution-Driven Model' (Progress Report, January 2015) 11.

¹²⁰ Evan Horowitz, 'A New Approach to Fighting Homelessness', *The Boston Globe* (online) 8 December 2014 <<http://www.bostonglobe.com/metro/2014/12/08/new-approach-fighting-homelessness/qsykICR3XLBBnHb6LLLuK/story.html>>.

¹²¹ Gustafsson-Wright, Gardiner and Putcha, above n 50, 117.

¹²² Massachusetts Housing and Shelter Alliance, 'Social Innovation Financing "Pay for Success" Initiative' (Fact sheet provided 7 March 2015).

¹²³ Gustafsson-Wright, Gardiner and Putcha, above n 50, 117.

A number of other State agencies are involved, including the Executive Office for Administration and Finance for the Commonwealth of Massachusetts, which is responsible for coordinating the initiative, executing payments for success and producing the final evaluation report, the Massachusetts Department of Housing and Community Development, which provides rental vouchers for the program and works with service providers to amend their shelter contracts so they can instead fund housing through this initiative, and the Executive Office of Health and Human Services for the Commonwealth of Massachusetts, which ensures Medicaid reimbursement for homeless individuals involved in the initiative.¹²⁴

Santander Bank, CSH and United Way invested \$2.5 million as senior investors. The Commonwealth of Massachusetts Social Innovation Financing Trust Fund pays \$3,000 per year per participant housed for at least one year. The first payment is made at the end of the first year, with quarterly payments thereafter. The payment will be prorated by day after the first year each participant stays in housing. This corresponds to a loss of principal if less than 80% of the participants stay in housing for the year, a 3.33% return if 85% stay the year, and a 5.33% return if all the tenants stay the year.¹²⁵

By way of non-recoverable grants, the Commonwealth of Massachusetts Department of Housing and Community Development is investing shelter resources and housing vouchers for 145 units of supportive housing, worth a total of \$14 million. The MassHealth program committed \$7 million for healthcare of program participants. Service providers are also entitled to use other resources at their disposal to support participants, including from the federal Department for Housing and Urban Development.¹²⁶

4.2.2.3 DENVER SOCIAL IMPACT BOND (DENVER SIB)

The Denver SIB program to address homelessness launched in February 2016. The bond aims to provide 250 chronically homeless people with permanent supportive housing. According to the Denver Crime Prevention and Control Commission, each chronically homeless person in Denver will cost the economy US\$29,000 in jail days, police encounters, court costs, detox, visits to emergency rooms and other medical visits each year.¹²⁷

Eligible participants in the program will be individuals with a record of at least eight arrests over the past three years and a documented case of transiency at the time of their last arrest. Those selected to participate (from a randomised lottery) will be given streamlined access to housing with conditions that do not exceed those of normal leaseholders, and given access to services including intensive case management, crisis intervention, substance abuse counselling, mental health treatment, peer support, skills building, connection to primary care, and various other services identified as appropriate to the client's goals. The Denver SIB will provide flexible funding to pay for the services and provide short-term rental subsidies while longer-term subsidies are secured. The beneficiaries will mostly be housed in new units built for the SIB.¹²⁸

¹²⁴ Massachusetts Housing and Shelter Alliance, 'Social Innovation Financing "Pay for Success" Initiative', above n 117.

¹²⁵ Gustafsson-Wright, Gardiner and Putcha, above n 50, 118.

¹²⁶ Ibid 122.

¹²⁷ Denver Government et al, 'Fact sheet: Denver Social Impact Bond Program to Address Homelessness' <<http://www.payforsuccess.org/sites/default/files/Denver%20SIB%20FactSheet.pdf>> 1.

¹²⁸ Denver Government et al, 'Denver Social Impact Bond Initiative: Permanent Supportive Housing', (Summary sheet)<<http://www.payforsuccess.org/sites/default/files/Denver%20SIB%20Summary.pdf>> 2.

Private investors have been broken into two groups, the first contributing US\$4.5 million towards housing stability outcomes, and the second contributing US\$4.13 million towards a reduction in occupation of jail beds by participants. An additional US\$15 million in federal resources will be contributed to the provision of services.¹²⁹

The City will repay the first group of investors US\$15.12 for each day spent in housing minus the number of days that a participant spends in jail. The city will only pay for participants who spend at least one year in housing. However, participants who fail to meet the one year threshold can be replaced with a new participant.¹³⁰

The city will repay the second group based upon the percentage reduction in time spent occupying jail beds seen between participants and non-participants over at least three years. No repayments will be made for a reduction below 20%, and repayment for this metric is capped at US\$6,130,000 for an improvement of 65% or over.¹³¹

The expected return for investors based on anticipated outcomes of a 35–40% reduction in jail bed days and 83% increase in housing stability among the target population is approximately US\$9.6 million, a combined annualised rate of about 3.5%.¹³² The return is capped at approximately US\$11.4 million for 100% housing stability and a 65% jail bed reduction, or a 132% return on the investment.¹³³

4.2.3 Low Income Housing Tax Credits (LIHTC)

LIHTC is a form of social investment tax relief aimed at building affordable housing. Housing developers bid for a limited pool of tax credits offered by government, which successful bidders can then either offer to investors in exchange for equity, or use to offset their own tax bills. Successful bids must meet program requirements, as well as complying with any regulations and development approvals that may be in place.

In the USA, this has generated 60,000 to 100,000 affordable housing units per annum since its inception. The housing developed has been more diverse, of higher quality than traditional social housing, and has tested new construction methods. This funding has also stimulated a range of innovative housing investment partnerships between non-profits and for-profit investors. Most importantly, this program has been effective in fulfilling its purpose of providing affordable housing from private sector funding.¹³⁴

LIHTC is sensitive to the health of the economy. During the Global Financial Crisis, investor demand for credits fell as companies made losses and tax credits became less valuable. This occurred at a time when affordable housing developments were most desperately needed. Investor demand for tax credits can be expected to recover with the economy. It should be noted that while there is considerable overlap, providing affordable housing is a distinct imperative from resolving homelessness. Research indicates that the LIHTC has not achieved a significant reach into the lowest income groups.¹³⁵ Resolving youth homelessness, in particular, requires not only housing, but the provision of effective, holistic support services.

¹²⁹ Denver Government Department of Finance, 'Mayor Hancock Announces Social Impact Bonds to Serve First 25 Participants at North Colorado Station' (Press release, 16 February 2016).

¹³⁰ Denver Government et al, 'Denver Social Impact Bond Initiative: Permanent Supportive Housing', above n 128, 2.

¹³¹ Ibid 2–3.

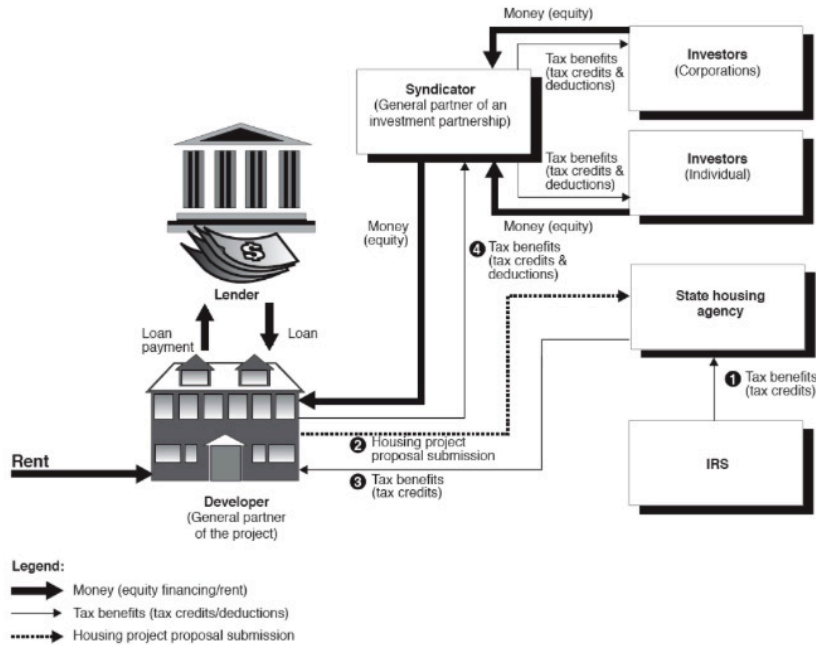
¹³² Ibid 3; Denver Government Department of Finance, 'Mayor Hancock Announces Social Impact Bonds to Serve First 25 Participants at North Colorado Station', above n 129.

¹³³ Denver Government et al, 'Denver Social Impact Bond Initiative: Permanent Supportive Housing', above n 128, 3.

¹³⁴ Kenneth Gibb, Duncan MacLennan and Mark Stephens, 'Innovative Financing of affordable housing: International and UK Perspectives' (Report, Joseph Rowntree Foundation, March 2013) 29–32.

¹³⁵ Ibid.

Figure 4.3: LIHTC Structure¹³⁶



¹³⁶ United States General Accounting Office, 'Tax Credits Opportunities to Improve Oversight of the Low-Income Housing Program' (Report to the Chairman, Committee on Ways and Means; and the Chairman, Subcommittee on Oversight, Committee on Ways and Means, House of Representatives, GAO/GGD/RCED-97-55, March 1997) 24.

4.2.4 REAL ESTATE INVESTMENT TRUSTS (REITS)

REITs have played a significant role in shaping the US housing landscape. As funds that invest in real estate, REITs typically focus on a particular type of real estate, such as retail, or in the case of social purpose REITs, housing for the homeless and other disenfranchised or disadvantaged groups. The Housing Partnership Network's Housing Partnership Equity Trust (HPET) aims to create a long-term and low-cost source of capital for the efficient acquisition of housing.¹³⁷ HPET has partnered with twelve established non-profit housing providers to raise US\$100 million from corporations and foundations, which it invests in 'multi-family properties'. HPET's two foundation investors acted as 'first-movers', whose catalytic philanthropic contribution inspired private sector confidence to invest.¹³⁸ The model has benefited from a streamlined capital-raising process for acquiring affordable housing units, reduced transaction costs and independence from government.¹³⁹ Again, whilst affordable housing must play a role in the resolution of homelessness, this model of housing provision could only be one aspect of a broader strategy that incorporates holistic support services.

¹³⁷ Housing Partnership Equity Trust, 'Housing Partnership Equity Trust Launches with \$100 Million in Funding for Affordable Multifamily Housing' (Press release, 29 April 2013).

¹³⁸ Ibid.

¹³⁹ Ibid.

4.3 CANADA

4.3.1 Homelessness in Canada

According to Canada's Homeless Hub, at least 200,000 Canadians access homeless emergency services or sleep outside each year, and at least 30,000 Canadians are homeless on any given night. Of these people, 14,400 stay in homeless shelters and 2,880 sleep without any shelter at all. It is further estimated that Canada's 'hidden homeless' population of those temporarily staying with friends, relatives or others, could number as many as 50,000.¹⁴⁰

A 2001 study in British Columbia indicated that it costs CA\$30,000-40,000 annually to support one homeless person.¹⁴¹ Another report estimates that it costs over CA\$20,000 annually to accommodate a young person in an emergency shelter, even before taking into account added costs of mental health and addiction support, health care and corrections that may be required.¹⁴² According to Stephen Gaetz of the Homeless Hub, it costs CA\$1,932 for a single homeless person to be accommodated in a sheltered bed, CA\$4,333 in a provincial jail, and CA\$10,900 for a hospital bed per month.¹⁴³

4.3.2 Canadian Homelessness SIBs

Canada called for exploration of the potential of SIBs in future planning in its 2012 Economic Action Plan.¹⁴⁴ A 2013 Deloitte and MaRS Centre for Impact Investing survey indicated significant interest amongst respondents in impact investment. The barriers to SIB investment identified by the study included lack of government commitment, lack of liquidity, and low confidence in the development of a robust SIB market.¹⁴⁵ Since then, government initiatives and the appearance of SIB intermediaries such as Finance for Good have driven collaboration between service providers, governments and investors.¹⁴⁶ There is one SIB delivering services in Saskatchewan to address unemployment and homelessness.¹⁴⁷ In 2016, Ontario is developing two SIBs, both of which aim to combat homelessness. One of these, The RAFT, will focus on youth homelessness specifically.¹⁴⁸

¹⁴⁰ Stephen Gaetz, Jesse Donaldson, Tim Richter, & Tanya Gulliver 'The State of Homelessness in Canada' (Research Paper, the Homeless Hub, 2013) 5, 6.

¹⁴¹ M Eberle, et al 'Homelessness – Causes & Effects: The Costs of Homelessness in British Columbia' (Report, British Columbia Ministry of Social Development and Economic Security, 2001).

¹⁴² Daphne Winland and Stephen Gaetz, 'Family Matters – Homeless youth and Eva's Initiatives "Family Reconnect" Program' (Report, the Homeless Hub, 2011).

¹⁴³ Stephen Gaetz, 'The Real Cost of Homelessness: Can We Save Money by Doing the Right Thing?', (Report, the Homelessness Hub, 21 September 2012) .

¹⁴⁴ Canadian Government, 'Jobs, Growth and Long-Term Prosperity: Economic Action Plan 2012' (Tabled 29 March 2012) 173.

¹⁴⁵ MaRS Centre for Impact Investing and Deloitte, 'Social Impact Bonds in Canada: Investor Insights' (Report, 2014) 7.

¹⁴⁶ Ibid 5.

¹⁴⁷ Ontario Government, *Social Impact Bonds* <<https://www.ontario.ca/page/social-impact-bonds>>.

¹⁴⁸ Ibid.

4.3.2.1 SWEET DREAMS

The Sweet Dreams project was agreed between the Government of Saskatchewan, Conexus Credit Union, Saskatoon philanthropists Wally and Colleen Mah, and the Saskatoon Downtown Youth Centre – EGADZ, in 2014. The program provides six months of affordable housing and support to 22 single mothers of children under eight who are at risk of requiring services from Child and Family Services.¹⁴⁹

With CA\$500,000 invested by Conexus Credit Union and CA\$500,000 by Wally and Colleen Mah, in addition to additional grants worth CA\$535,000 from the Government of Canada's Homelessness Partnering Strategy, the City of Saskatoon, and other private donors, EGADZ houses 11 mothers in a large house in central Saskatoon.¹⁵⁰ The mothers cook and share meals together, and each mother shares a private bedroom with her children.¹⁵¹ The mothers are supported by staff to develop parenting skills, continue their education, find employment, and respond to other issues as they arise.¹⁵²

The Saskatchewan Ministry of Social Services will only reimburse the investors if 17 of the 22 children have remained with their mothers six months after leaving the project. Repayment is then made on a sliding scale of 75% principle and 5% interest for 17 meeting the threshold, to 100% principle plus 5% interest for a 100% success rate.¹⁵³

Depending on the project's success, the Government of Saskatchewan expects savings from keeping the children out of foster care are estimated to be between \$540,000 and \$1.5 million over the project's five years, not including potential savings related to health, criminal justice, or future social assistance. The first interim report from Deloitte, the independent assessor, is due in 2016.¹⁵⁴

4.4 IRELAND

In 2014, after a lengthy development period, Clann Credo, a social financier, issued an investor memorandum seeking to raise €500,000 for Ireland's first SIB.¹⁵⁵ The project intended to assist 136 families in Dublin transition from emergency accommodation into sustainable housing. Focus Ireland is to be the service provider, with outcome payments being made by Dublin City Council. Investor applications closed in January 2015. Public information regarding further progress is currently unavailable.

¹⁴⁹ Saskatchewan Government, 'New Home for Single Mothers Opens in Saskatoon; Funding First of its Kind in Canada' (Press release, 12 May 2014); UK Government, Cabinet Office, Centre for Social Impact Bonds, *Saskatchewan – Children at Risk of Care* <https://data.gov.uk/sib_knowledge_box/saskatchewan-children-risk-care>.

¹⁵⁰ Gustafsson-Wright, Gardiner and Putcha, above n 50, 127.

¹⁵¹ Conexus Credit Union, *Sweet Dreams – Social Impact Bond* (12 May, 2014) <<https://www.youtube.com/watch?v=ZjWxDZE5Uts>>.

¹⁵² Saskatchewan Government, above n 149.

¹⁵³ Gustafsson-Wright, Gardiner and Putcha, above n 50, 127.

¹⁵⁴ Saskatchewan Government, above n 149.

¹⁵⁵ The Wheel, Clann Credo to Manage Ireland's First Social Impact Investment (SII) (31 October 2013)

<<http://www.wheel.ie/news/clann-credo-manage-ireland%E2%80%99s-first-social-impact-investment-sii>>.

IMPACT INVESTMENT FOR NEW SOUTH WALES

CHAPTER 5

mercy foundation®



SOCIAL IMPACT HUB



5. IMPACT INVESTMENT FOR NEW SOUTH WALES

The final chapter of this report considers the implications of the lessons of Chapter 4 for NSW, before seizing upon two intervention models, Foyer Housing and Studio Housing, to explore their potential for implementation in NSW to target youth homelessness through an impact investment.

These are only two of many innovative programs throughout Australia designed to address youth homelessness. To name a few others, the Inner City Youth at Risk Project was a partnership that drew together 21 government and non-government organisations to address youth homelessness in Kings Cross and the surrounding area.¹⁵⁶ Wesley Mission's Wesley Independent Living Ashfield provides medium-term supported accommodation and a living skills program for up to 34 young people between the ages of 16 and 25. In 2015 Wesley Mission reported that it had won a tender to establish Wesley Homeless Support, Youth on the NSW Mid-North Coast. This will accommodate 100 homeless young people and support them to find stable accommodation, whilst reaching out to a further 200 homeless and at-risk young people to resolve the causes of their risk factors and homelessness.¹⁵⁷ Marist Youth Care's Affordable Housing for Life (AHFL) program provides long term and sustainable solutions to housing and unemployment for at risk young people. Through links with industry bodies, training organisations and residential construction employers, AHFL facilitates practical on-the-job training programs linked to employment opportunities.¹⁵⁸ Each of these programs could contribute to a youth homelessness impact investment.

To varying degrees, the cohorts targeted in the programs outlined in the previous chapter reflect the importance, when designing an impact investment, of choosing beneficiaries who are in dire need of support, yet still present a realistic prospect for successful intervention. The intervention must be carefully matched to the cohort. It is important that potential beneficiaries who are ultimately deemed unsuitable for a particular intervention are not left behind. Rather, one appropriate use of government savings is to reinvest them in programs targeting individuals who have not been reached by the impact investment.

¹⁵⁶ NSW Government, Department of Health, *Inner City Youth at Risk Project* <http://www.seslhd.health.nsw.gov.au/youth_health/InnerCity.asp>; Christine Eastman and Kylie Valentine, 'Outcomes of the Inner City Youth at Risk Project' (Report, Social Policy Research Centre, October 2012)

¹⁵⁷ Wesley Mission, *Wesley Independent Living Ashfield* <<http://www.wesleymission.org.au/home/our-services/wesley-homeless-services/wesley-accommodation/wesley-independent-living-ashfield/>>; 'Annual Report 2015', 44.

¹⁵⁸ Marist Youth Care <<http://www.maristyc.com.au>>.

5.1 LESSONS FOR NEW SOUTH WALES

Having outlined the SIBs and some other mechanisms that have been implemented throughout the world to address homelessness, the remainder of this report seeks to draw their lessons into clear insights. We recommend attention to the following principles in developing a youth homelessness impact investment.

Define Potential Savings for Government

Impact investments can involve significant risk and expenditure. Understanding potential government savings will be vital to the development of an effective, replicable youth homelessness impact investment that satisfies the expectations of all involved. From a purely financial perspective, the greater the savings, the stronger the incentive to act. A good example of a considered approach to this issue is the savings and payments matrix devised by Cuyahoga County for the Partnering for Family Success Program.¹⁵⁹

In the youth homelessness context, the UK Government identified reduced expenditure on social housing and care services as primary financial objectives when introducing the Fair Chance Fund.¹⁶⁰ Depending on the cohort targeted, a successful youth homelessness impact investment in NSW could, for example, lead to Government savings from young people remaining with families rather than going into out-of-home care, reduced interaction with police and the justice system, fewer visits to emergency departments, and moving into private rather than social housing.

The cost of youth homelessness to the Government is presently unclear. MacKenzie et al have assessed that on average,

The costs to the Australia economy of health services associated with young people experiencing homelessness is an average of \$8,505 per person per year or \$355 million across all young people aged 15-24 accessing Specialist Homelessness Services. This is \$6,744.00 per person per year more than for long-term unemployed youth.

The cost to the Australian economy is an average of \$9,363 per person per year or \$391 million across all young people aged 15-24 accessing Specialist Homelessness Services. This is \$8,242 per person per year more than for long-term unemployed youth.¹⁶¹

The University of Queensland has recently conducted an evaluation on Common Ground Brisbane.¹⁶² For 12 months prior to homeless people living in Common Ground, they found it cost government \$48,217 annually in health, criminal justice and homelessness services for each person (using government administrative data). In the first 12 months residing at Common Ground, the cost was \$35,117 in government-funded services annually per person (including the cost of living at Common Ground). This data shows a saving of \$13,100 to house and support each formerly homeless person.

An accurate understanding of potential Government savings in the NSW context, related to a detailed profile of the target cohort(s) and the cost of their homelessness to the Government would form a valuable basis for developing a SIB.

¹⁵⁹ See Table 4.4.

¹⁶⁰ UK Government Cabinet Office Centre for Social Impact Bonds, *Fair Chance Fund*, above n 54.

¹⁶¹ David MacKenzie, Paul Flatau, Adam Steen, Monica Thielking, 'The Cost of Youth Homelessness in Australia' (Research Briefing, 28 April 2016) 2.

¹⁶² Cameron Parsell, Maree Peterson, Ornella Moutou, Dennis Culhane, Ed Lucio, and Alan Dick, 'Evaluation of the Brisbane Common Ground Initiative', 18 December 2015, available at <http://www.hpw.qld.gov.au/SiteCollectionDocuments/BrisbaneCommonGroundFinalReport.pdf>.

Identify and Prepare Datasets for the Measurement of Outcomes

Measurement is the key to a successful impact investment. Before one is implemented, the Government, investors and service providers should have a clear idea of the social cost of the issue to be addressed, the savings to be gained from intervention, and how outcomes will be measured.

In the face of disappointing performance on some metrics, the London SIB service providers “noted that their targets had been set in the absence of comprehensive data about the cohort on which to base their predictions.”¹⁶³ While investors were protected by service providers’ strong performance in securing stable accommodation, the lack of data on which to base predictions could have had dire consequences for the SIB’s success.

Similarly, outcomes must be readily measurable. Examples of clearly measurable outcomes include a reduction in the percentage of the cohort leaving out-of-home care into homelessness compared to a control population, a reduction in numbers of nights spent on the street by participants, or days spent in education or training. As was demonstrated by the inability to gain access to health data for the London SIB,¹⁶⁴ this may require agreement between internal and external stakeholders and government departments on the release of information in advance.

Set Realistic Targets

Ambitious, but achievable targets should be set. Unrealistic targets and overly high thresholds for payment risk creating perceptions of failure even where a positive impact has been made. Failure to execute a profitable SIB for investors could harm morale and the reputations of service providers and the investment model generally, as well as potentially leading to service provider burnout and investor reluctance to invest in alleviating youth homelessness in the future. This requires a balance to be struck between innovation and replication of proven models. Although intermediate reports indicate investor satisfaction, below-target results in some measures indicate that NSW could improve upon the London SIB in this respect.

Again, this may require careful consideration of outcomes measurement. Measurement of the ‘reducing rough sleeping’ metric in the London SIB has proved contentious, as a single night spent rough sleeping by a beneficiary within an overall pattern of improvement would jeopardise payment if witnessed and recorded by an outreach worker.¹⁶⁵

Defining realistic targets can be difficult, particularly when the approach emphasises innovation over replication of tried approaches. In these circumstances, attracting investment may be aided by guaranteeing part or all of the principal investment, as occurred in the Benevolent Society Social Benefit Bond.¹⁶⁶ The London SIB approach, in which investors achieved a return for improvement even if targets were not met, would no doubt be more attractive to investors than the Sweet Dreams approach, where investors stand to lose their entire investment regardless of improvement if high targets are not met. An alternative to this approach would see investors receive some return for meeting the status quo, with improvement on identified criteria rewarded according to a scale.

Jeremy Swain, CEO of Thames Reach, has also emphasised the importance of the service provider investing manageably and avoiding a situation where its future operations will be at

¹⁶³ UK Government, Department for Communities and Local Government, ‘Qualitative Evaluation of the London Homelessness Social Impact Bond’, above n 79, 21.

¹⁶⁴ Ibid 8.

¹⁶⁵ Ibid 25–26.

¹⁶⁶ Gustafsson-Wright, Gardiner and Putcha, above n 50, 121.

stake if the SIB fails – both in terms of its exposure to the SIB’s risk, and its ability to attract investment in future projects. Before agreeing to investing in their SIB, the Thames Reach board concluded that even if they could not deliver on any of the five outcomes metrics, the amount they stood to lose was £200,000, ‘making it pretty low risk for an organisation with our level of reserves’.¹⁶⁷

Unrealistic targets risk placing considerable pressure on service providers, potentially leading to burnout. As one Thames Reach Navigator put it, ‘I try any means. I go out on early shift, late shift, whatever it takes ... that’s the difference with SIB. It needs a lot of flexibility. You can’t work 9 to 5.’¹⁶⁸ Whilst motivating caseworkers is important, pressures should be considered against their resources, time and mental health.

Moreover, service providers under pressure may identify and focus their efforts on the beneficiaries most likely to contribute to reaching targets, leaving individuals who present more complex cases under supported. A GLA update and the Second Interim Report identify service providers’ ethos as important to mitigating this risk,¹⁶⁹ but reliance on ethos could create problems when replicating the SIB elsewhere and with other organisations, which should be a long-term ambition.

Reward Progress Against a Broad Field of Outcomes

Rewarding progress against a broad field of measurable outcomes can counterbalance the risk that despite efforts, some targets prove unachievable. It spreads risk over multiple metrics, allows a more nuanced view of success, and encourages innovation in a greater number of areas.

Further, breaking each metric down into milestones for each potential beneficiary, as with both UK funds and the Partnering for Family Success Program, protects investors whilst encouraging service providers to persevere with more challenging beneficiaries and to strive even further with those who meet early outcomes quickly and easily.¹⁷⁰

The London SIB’s outcome measurement and payment model measures success according to five different outcomes, and provides for multiple smaller payments that can only be made once per individual. The GLA update explains that this model ‘was designed to financially incentivise providers to work with every member of the cohort, not just those for whom outcomes were easiest to achieve.’¹⁷¹

A broader field of outcomes for measurement lessens the risk of creating perverse incentives or undervaluing certain achievements. This is a lesson from the London SIB, where some beneficiaries participated in considerable volunteer work, but less than the eight hours per week defined as the desirable outcome. Volunteering less than eight hours per week resulted in no outcome payments, despite increased community engagement. Thus the metric did not adequately reflect or reward the positive outcome for the beneficiary and their community.¹⁷²

¹⁶⁷ Ellie Ward, ‘Social investment: disrupting services to improve outcomes’, *Pioneers Post* (online), 29 April 2015 <<https://www.pioneerspost.com/business-school/20150429/social-investment-disrupting-services-improve-outcomes>>.

¹⁶⁸ UK Government, Department for Communities and Local Government, ‘Qualitative Evaluation of the London Homelessness Social Impact Bond’, above n 79, 27.

¹⁶⁹ Ibid, 30, 35; Ratcliff, above n 97, 4.

¹⁷⁰ Thames Reach, ‘Social Impact Bond for Entrenched Rough Sleepers: Key Areas of Learning’, above n 100, 5.

¹⁷¹ Ratcliff, above n 97, 2.

¹⁷² UK Government, Department for Communities and Local Government, ‘Qualitative Evaluation of the London Homelessness Social Impact Bond’, above n 79, 44.

Balance Innovation with Risk Mitigation

Where existing programs are already efficiently yielding satisfactory results, the cost and risk of embarking on an impact investment is unnecessary. Impact investment should therefore be driven by a need to depart from the status quo of government funding. This requires a balance to be struck between innovation and replication of proven models for intervention, which mitigates risk for all stakeholders. In their report on key areas of learning, Thames Reach stress that focus on outcomes rather than outputs brought “freedom from the normal labour intensive commissioning requirements”, allowing them to better “concentrate on getting on with the job.”¹⁷³ CEO Jeremy Swain has emphasised the importance of the investment matching the scale of the enterprise.¹⁷⁴

Sharing Risk and Opportunity between Multiple Service Providers

A key feature of the UK SIBs profiled is multiple services providers for each government package of funding. This multiplies the scope for lessons and innovation, whilst containing the harms of failure. The GLA update noted, with respect to the London SIB,

marked differences between the performance of the two providers, with one performing better on the rough sleeping and reconnections outcomes and the other performing better on those for accommodation and employment.¹⁷⁵

This has contributed to an overall perception of success, which may have been diminished if the fund could only have claimed the achievements of a single SIB. Moreover, this allowed scope for competition, collaboration and learning from one another’s achievements during the course of the SIB, rather than waiting for evaluation. It also multiplies the lessons and insights available for future SIBs.

Whilst the UK Government’s implementation of the Fair Chance Fund across seven service providers is no doubt driven in part by a belief in regional solutions and the practical benefit of building on existing local projects, it also suggests an appreciation of the greater innovative potential of the approach.

Devise a Strategy for Responding to Difficult Cases

An impact investment to address youth homelessness in NSW should have a clear strategy for responding to difficult cases. Some people require ongoing support that no temporary intervention, even of the highest standard, could resolve. Again, this is an area in which the UK Government has stressed the importance of service providers’ ethos. Nevertheless, it appears that this is an area that requires greater attention than previous SIBs have provided.

For instance, participants in the Denver SIB who fail to meet the one-year payment threshold for remaining in accommodation can be replaced with a new participant.¹⁷⁶ It would also appear that participants who fall into arrears with their rent run a considerable risk of losing their accommodation.

Similarly, the Sweet Dreams project, with its stark imperative of reaching the high threshold for payment, would appear to emphasise the risk of difficult cases being left behind rather than mitigating it.

¹⁷³ Thames Reach, ‘Social Impact Bond for Entrenched Rough Sleepers: Key Areas of Learning’, above n 100, 6.

¹⁷⁴ Ward, above n 167.

¹⁷⁵ Ratcliff, above n 97, 4.

¹⁷⁶ Denver Government et al, ‘Denver Social Impact Bond Initiative: Permanent Supportive Housing’, above n 127.

Although not clearly acknowledged, the tension between achieving outcomes and persevering with difficult clients is manifest in discussion of difficult cases in the UK Government's Second Interim Report.¹⁷⁷

Be Conscious of Context

Lasting impact demands a conducive environment. As SIBs and similar investments will rarely provide more than a fraction of the full investment required to implement a project, surrounding infrastructure, partners and economic circumstances play a significant role in both an intervention's success and its impact on the broader picture of the social issue it seeks to address. This should be borne in mind when implementing a youth homelessness impact investment in NSW.

London SIB service providers reported frequent challenges relating to welfare payments and tenancy. Beneficiaries would occasionally have benefits sanctions imposed upon them which would lead to rent arrears, putting their tenancy at risk. This emphasises the impact that external factors such as housing requirements and welfare policy can have on rates of homelessness.¹⁷⁸

In the absence of safe, affordable housing, beneficiaries will be at risk of returning to the streets soon after a project's completion, regardless of the level of support they receive throughout the project. Young people provided with the highest standard of education and training may similarly lose the benefit of that training if they are unable to find employment or lose their newly found employment soon after a project's completion.

Impact investments are not a substitute for addressing the structural causes of homelessness, and cannot take the place of policies that would. For instance, despite the success of the UK SIBs, rough sleeping in England increased more than 30% in the twelve months to March 2016 alone.¹⁷⁹

If innovations such as SIBs form part of a broader, long-term strategy, the prospects of success are clearer and more positive. According to Rick Henderson, CEO of Homeless Link,

With the Government working in partnership with the homelessness sector to develop a coherent strategy to ensure people don't end up sleeping rough in the first place, and to make sure that frontline services and local authorities are properly resourced, SIB funding could have a major impact on levels of rough sleeping in the capital.¹⁸⁰

Ensure Stakeholder Co-operation

The co-operation of stakeholders both internal and external to an intervention is similarly important. SIBs often require service providers to invest their own resources, while others provide non-recoverable grants and other government departments and agencies, particularly social services, provide essential services upon which success depends. For instance, the Brookings Institute calculates the upfront capital investment in the Massachusetts' Chronic Individual Homelessness Pay for Success Initiative at US\$24.5 million, the SIB itself comprising only US\$2.5 million of that amount.¹⁸¹

¹⁷⁷ UK Government, Department for Communities and Local Government, 'Qualitative Evaluation of the London Homelessness Social Impact Bond', above n 79, 29.

¹⁷⁸ Ibid 7.

¹⁷⁹ Burns and Hooper, above n 56.

¹⁸⁰ Ibid.

¹⁸¹ Gustafsson-Wright, Gardiner and Putcha, above n 50, 117. The authors are somewhat inconsistent in their approach to calculating 'upfront capital commitment'. For some projects, the cost of housing is included in this calculation, but for others, only the cost of the intervention is included, sometimes when the project will necessarily involve the cost of housing being borne by government or some other stakeholder.

Homelessness SIBs depend in particular on the availability of affordable housing, but SIBs themselves are inappropriate for housing development projects. The viability and appropriateness for the cohort of the housing solution could make or break a homelessness SIB, despite being an externality beyond service providers' and investors' control.

Co-operation with external partners also proved important to the success of the London SIB. The reality of work with homelessness is that many service providers may play a role in a beneficiary's life, and they all have to be brought on board. Accordingly, some beneficiaries' primary caseworkers were from organisations external to the SIB, requiring collaboration and respect for pre-existing relationships.¹⁸² Conversely, securing co-operation from the Health and Social Care Information Centre in advance of the project would have prevented the emergence of the health outcomes impasse.

Work Towards Lasting Results, with an Eye to the End of the Term

According to Denise Hatton, National Secretary and CEO of YMCA England,

It is essential ... that any money invested is done so in the right way and at the right level to provide sustainable support. Without help to overcome mental and physical health problems and to gain meaningful employment, a roof over someone's head is often little more than a quick fix that may not help people to truly overcome the issues that caused their rough sleeping.¹⁸³

A SIB should produce truly lasting results, rather than results that simply last the duration of the payment period. Approaches that focus on housing readiness rather than housing first arguably face the biggest risk in this respect. For instance, Canada's Sweet Dreams measures the success of each participant after only six months of leaving the project, looking only to whether the mother is still with her child or children, regardless of the nature or security of her accommodation. This creates a real risk that beneficiaries may be placed in inappropriate accommodation and supported only for the term of the SIB. As the UK Government identifies, multiple payments over a single outcome go some way towards mitigating this risk.¹⁸⁴ However, they do not resolve it entirely.

The UK Government has also acknowledged that some beneficiaries have maintained their tenancies only through the ongoing support of service providers.¹⁸⁵ This group is particularly at risk of succumbing to homelessness again once the intervention is complete.

The GLA also recognises the risk of difficult clients being left without support after the term of the SIB, and in August 2015 reported that service providers were working on exit strategies to mitigate this risk.¹⁸⁶

St Mungo's has emphasised that those within their cohort whose 'community is the street' would 'need more than three years to be supported out of rough sleeping'.

¹⁸² UK Government, Department for Communities and Local Government, 'Qualitative Evaluation of the London Homelessness Social Impact Bond', above n 79, 27-28.

¹⁸³ Kirsty Weakley, 'Government announces £115m to tackle homelessness', *Civil Society* (online) 16 March 2016 <http://www.civilsociety.co.uk/finance/news/content/21475/the_government_announces_115m_to_tackle_homelessness?topic=&print=1>.

¹⁸⁴ UK Government, Department for Communities and Local Government, 'Qualitative Evaluation of the London Homelessness Social Impact Bond', above n 79, 35.

¹⁸⁵ *Ibid* 29.

¹⁸⁶ Ratcliff, above n 97, 5.

Both providers explained that they will continue to support clients that they do not expect to achieve a paid outcome for, reflecting their ethos as organisations. But they acknowledged that there was a balance to be reached in providing appropriate support whilst focusing resources in the final year on the paid outcomes that could be achieved.¹⁸⁷

Whilst such an ethos is clearly positive, such a situation bodes problems for long-term solutions and replicating the SIB at scale. One strength of a SIB targeted at youth homelessness may be that young beneficiaries would be less likely to have developed entrenched habits and social adaptation to homelessness than chronic rough sleepers.

Partner the Program with a Viable Housing Solution

Many of these insights touch on the underlying premise that a successful intervention with lasting results requires access to accommodation. Most of the SIBs discussed in this chapter involve an element of assisting beneficiaries to find stable accommodation during or after their period of engagement, regardless of whether the intervention itself provides long-term accommodation. Assisting beneficiaries to find affordable accommodation is clearly important: in the absence of long term affordable housing, no intervention can protect beneficiaries from the risk of becoming homeless in the future. Thames Reach has reported that its partnership with Vision Housing has been instrumental to its success.¹⁸⁸ The longevity of this success, of course, remains to be seen. Chapter three touched on some models for encouraging private sector investment in affordable housing, which could be implemented in conjunction with a SIB designed to equip young people with the life skills to maintain and pay rent on affordable housing at the completion of the intervention.

¹⁸⁷ UK Government, Department for Communities and Local Government, 'Qualitative Evaluation of the London Homelessness Social Impact Bond', above n 79, 6.

¹⁸⁸ Thames Reach, 'Social Impact Bond for Entrenched Rough Sleepers: Key Areas of Learning', above n 100, 3.

5.2 FOYER HOUSING

The Foyer model for supporting homeless and at risk young people (aged 16-24) to transition into stable accommodation was introduced to Australia in 2001. The concept originates in France and has been widely adopted in the UK. Accreditation is granted by the Foyer Federation, an international coordinating body. In the UK, capital funding for the Foyers is reliant on a Social Housing Grant from the government, together with private funding sources including EU social funds and national lottery proceeds.¹⁸⁹ Despite its success abroad and adoption in Victoria, it has been slow to take off in NSW, where the only accredited program is the Illawarra Youth Foyer Project, run by Southern Youth and Family Services.¹⁹⁰ NSW's first foyer service, the Live 'N' Learn Campus in Miller, Liverpool, is no longer running.

Under the model, young people are accommodated for up to two years and given access to psychological support and life skills training, with a particular emphasis on education and employment. Participants are encouraged to participate actively in their community and supported by mentors who monitor their progress.¹⁹¹ The model is distinct from most shelter and supported housing schemes in that participation in support programs is mandatory. The transitional nature of accommodation distinguishes it from the housing first model, which prioritises immediate transition into stable accommodation in order to limit the risk of adaptation to homelessness.

The Foyer Foundation estimates that there are approximately 14 Foyers or Foyer-type services across Australia. Most of the capital funding for foyer projects has come from the public housing sector and the supported housing sector.¹⁹² Perth, Melbourne, Geelong, Warrnambool, Ballarat, Port Adelaide, Brisbane, Canberra and Illawarra are all home to Foyer accommodation services.¹⁹³

Whilst some studies have been undertaken into specific programs, empirical analysis of the success of the model as a whole has been limited.¹⁹⁴ None has been done in Australia. However, a 2006 study by Joan Smith et al evaluated the experience of 126 alumni from ten UK Foyers and concluded that the outcomes depended not only on the quality of their education and other support in the Foyers, but significantly on external factors such as the person's individual resources and employment opportunities in the local area.¹⁹⁵

¹⁸⁹ Adam Steen and David MacKenzie, 'Financial Analysis of Foyer and Foyer-Like Youth Housing Models' (Report, Swinburne University, June 2013) 29.

¹⁹⁰ Foyer Foundation, *Foyers* <<http://foyer.org.au/foyers-in-australia/>>.

¹⁹¹ Ibid.

¹⁹² Steen and MacKenzie, above n 189.

¹⁹³ Foyer Foundation, *Foyers*, above n 190.

¹⁹⁴ Steen and MacKenzie, above n 189, 24; Deborah Quilgars, Sarah Johnsen and Nicholas Pleace, 'Review of Youth Homelessness in the UK' (Report, Joseph Rowntree Foundation, May 2008).

¹⁹⁵ Joan Smith et al, 'What Happened Next? A Report on Ex-residents of Foyers', (Report, London Metropolitan University, 2006).

The Live 'N' Learn Campus in Miller aimed to provide stable accommodation to young people whilst supporting them to find independent accommodation, pursue an education and find paid employment.¹⁹⁶ The final evaluation of the Live 'N' Learn Campus in Miller indicated that the project succeeded in providing stable accommodation to 15 students between 16 and 25 years old who had previously been living with family members other than parents (5), with parents (2), in supported accommodation (3), temporary accommodation (1), a children's home (1), with friends (2) or intransigently (1). According to the report,

Residents gave a range of reasons for leaving their former accommodation, in some cases citing multiple reasons. The most commonly mentioned were that their previous accommodation was casual or temporary (7) and that they had a need for independence (5). Three cited relationship breakdown with parents or other family members, and two cited overcrowding. Other reasons included violence at home, harassment and family moving away.

They were referred by TAFE, family, the Department of Housing, the Department of Community Services, an employer and a supported accommodation provider.¹⁹⁷ Residents found its location difficult to access via public transport, and had concerns about the safety of the area, if not the accommodation itself.¹⁹⁸ Otherwise, satisfaction amongst residents, the Board and the service providers was high. Ultimately the report concluded that the provision of accommodation was the most important outcome the initiative achieved, as it allowed beneficiaries to pursue their education and find work in a supportive environment, whilst transitioning into independent living:

Once the worry of a vulnerable or unsatisfactory housing situation is lifted, the Campus provided residents with an opportunity to concentrate on achieving educational and training goals.¹⁹⁹

The report also identified that the intervention played an important role in preventing the young residents from falling into "petty crime, poor mental health and homelessness."²⁰⁰ The report indicated "unanimous support for the replication of the Campus model elsewhere",²⁰¹ yet clearly, this did not come to fruition. It is unclear why the service was brought to an end.

The Foyer model provides an ideal means for young people motivated to gain an education and become independent to pursue a supported transition towards stable accommodation and employment. The model allows a sufficient mix of independence and support from mentors and others such as mental health workers to be appropriate for young people aged 16 – 25 of varying levels of need.

The Foyer model should be considered for implementation through an impact investment in NSW. Such an intervention could be funded through an outcomes funded grant, payment by results or a SIB. A SIB could take the form outlined in **Table 5.1**.

¹⁹⁶ Bill Randolph and Helen Wood, 'An interim evaluation of the Miller Live 'N' Learn Campus' (Report No 84, Australian Housing and Urban Research Institute, July 2005) 50.

¹⁹⁷ Ibid 26–27.

¹⁹⁸ Ibid 32.

¹⁹⁹ Ibid 65–66.

²⁰⁰ Ibid 66.

²⁰¹ Ibid 66.

Table 5.1: Proposed Foyer SIB

Key area	Possible terms
Target population:	<p>16-25 year olds who</p> <ul style="list-style-type: none"> are currently or are at risk of becoming unable to remain with their family or carer for reasons of overcrowding, financial instability, relationship breakdown or are otherwise unable to pursue education whilst staying with them; have moderate support needs; are at risk of becoming homeless; are motivated to pursue education or training and enter the workforce.
Baseline:	Rate per cent at which control population settles into stable, independent accommodation
Target:	A percentage improvement in settling into stable, independent accommodation above baseline
Saving:	Social Housing. Other areas could also be considered.
Payment scheme:	<ul style="list-style-type: none"> Pro rata payment for improvement on baseline above a certain amount. Payment for achievement of qualification – SC, HSC, TAFE Certificates, undergraduate degree, postgraduate degree, increasing incrementally. Payment over six month increments in stable employment. Payment over six month increments staying in accommodation. Payment over six month increments for remaining in stable accommodation after leaving supported accommodation.
Time frame:	3 years or until accommodation found
Accommodation:	<p>Considerable attention has been given already to affordable housing solutions in NSW, and this paper does not propose to add to that discussion. However, having recognised that an appropriate housing solution would be an integral part of a successful youth homelessness intervention, layered investments, A-REITS and patient capital may each be appropriate avenues to fund the construction or purchase of accommodation. Social Investment Tax Relief could also benefit the development of housing, however, it would require Commonwealth co-operation and considerable government resources to implement such a scheme.</p>

5.3 KIDS UNDER COVER: STUDIO HOUSING

Kids Under Cover (KUC) is a Victorian charity that delivers an early intervention strategy aimed at preventing homelessness among at-risk young people. KUC sees family relationships as fundamental to the capacity of children and young people to remain in the family home. Through partnerships with more than 70 Community Service Organisations in Victoria, KUC provides demountable studio units to the parents and carers of young people placed at risk by overcrowding, family breakdown and violence. It focuses on children at risk of being removed from their families and placed in out-of-home care, young people exiting out-of-home care, and young people otherwise placed at severe risk of homelessness. The model is premised on the assumption that in transitioning towards independent living, young people benefit from both independence and a supportive relationship with a carer or parent and their family unit.

KUC installs one- and two- bedroom ensuite studios in the backyards of existing dwellings to assist families at risk of breakdown and foster carers who need more room to accommodate young people in their care. The studio is designed to be semi-independent so that the beneficiary maintains their relationship with the main household. The studios are connected to mains and plumbed, and can accommodate one or two people, with space for work and leisure. This allows beneficiaries to develop a sense of independence within and responsibility for their own living space, a place to study, and a place to retreat from family tensions without having to take to the street. This benefits the family as a whole, as issues stemming from overcrowding are averted and relieved. Food preparation, eating and laundry are required to take place in the main residence, ensuring supportive relationships are maintained.

Beneficiaries can remain in their studios into their 20s. Particularly for young people in out-of-home care, this guards against the risk of falling into homelessness upon turning 18.²⁰² The studios remain for an average of five years, until the beneficiary is sufficiently independent to move out. Once the Studio is no longer required, it is relocated to accommodate another young person in need.

Beneficiaries are referred by caseworkers, whose relationship with the beneficiary is independent from KUC. Beneficiaries do not have to be placed with parents or foster carers, but can go to any family willing to take them in. The studios are provided rent-free, are maintained and can be redeployed up to four times over a life span of approximately 20 years.²⁰³ KUC also provides education and vocational training scholarships to beneficiaries and the other young people who reside with them.²⁰⁴

With more than 3000 young people accommodated during the last 20 years, the provision of studios and scholarships has had an enormous impact on the lives of beneficiaries, working with them to evade homelessness through increased family engagement, educational engagement and vocational opportunity.

KUC is funded by the Victorian Office of Housing, in addition to independent revenue schemes such as proceeds donated from the sale of vehicles they administer on behalf of donors, Philanthropic Organisations and general donations from the public.²⁰⁵

It is suggested that the Studio model should be considered for implementation through an impact investment in NSW. Such an intervention could be funded through an outcomes funded grant, payment by results or a SIB. A SIB could take the form outlined in **Table 5.2**.

²⁰² Kids Under Cover <<http://www.kuc.org.au/>>; 'Annual Report 2015' (Annual report, 2015).

²⁰³ Ibid.

²⁰⁴ Ibid.

²⁰⁵ Ibid.

A SIB developed in partnership with KUC would complement and build on the successes of NSW's proposed joint venture between Uniting, St George Community Housing and Social Ventures Australia to support young people transitioning from out of home care to independence.²⁰⁶ Pursuant to the Office of Social Impact Investment's 2016 Statement of Opportunities, such an intervention could also stand to improve rates of permanent placement for children in out of home care, with stable and continuous relationships with family, friends and the local community as well as improved educational and health outcomes.²⁰⁷ Importantly, it would also reduce the need for additional affordable housing, which so often constrains the scale of homelessness solutions.

²⁰⁶ NSW Department of Premier and Cabinet, 'NSW Social Impact Investment Policy: Statement of Progress 2015' (Press release, 2015); Sally Rose, 'Social Impact Investment Market to get a Boost in 2016', *Sydney Morning Herald* (online) 3 January 2016 <<http://www.smh.com.au/business/social-impact-investment-market-to-get-a-boost-in-2016-20151223-gltxgg.html>>.

²⁰⁷ NSW Government Office of Social Impact Investment, '2016 Statement of Opportunities' (Report, April 2016) 4.

Table 5.2: Proposed Studio Housing SIB

Key area	Possible terms
Target population:	Young people at risk of entering out of home care, aged 12-17; Young people leaving out of home care, aged 18+; and/or Young people at risk of becoming homeless aged 12-24
Baseline:	Rate per cent of young people leaving out of home care who do not become homeless Rate per cent of young people at risk of entering out-of-home care who enter out of home care
Target:	A percentage improvement over homelessness baseline in beneficiaries who do not become homeless A percentage improvement over out of home care baseline in beneficiaries who do not enter out of home care
Saving:	Social Housing Interactions with police/juvenile justice system Interactions with health care system Out of home care
Payment scheme:	Pro rata payment for percentage reduction in children entering out of home care below baseline. Pro rata payment for improvement on baseline above a certain amount. Pro rata payment for percentage reduction in young people engaging with police and the justice system below baseline. Payment for achievement of qualification – SC, HSC, TAFE Certificates, undergraduate degree, postgraduate degree, increasing incrementally. Payment over six month increments in stable employment. Payment over six month increments staying in studio accommodation. Payment over six month increments for remaining in stable accommodation after leaving accommodation. Payment for reduction of incidences of running away.
Time frame	Approximately five years
Accommodation:	Studio accommodation

5.4 CONCLUSION

Although impact investment is still a relatively nascent field in Australia, careful consideration of international experience gives cause for optimism for the potential for SIBs and other impact investments to improve and scale successful approaches to preventing and responding to youth homelessness. Models that foster both independence and a sense of community, such as the Foyer model and Kids Under Covers' studio housing, are ripe for introduction and expansion throughout NSW. Implementing a SIB targeted at a carefully selected cohort could yield innovative, supportive and holistic responses to youth homelessness and its risks, creating brighter futures for beneficiaries, a flourishing society and greater opportunity for Government to invest savings in other pressing areas.

Also worthy of further consideration and potentially future research is the development of a SIB to address chronic homelessness. In the southern hemisphere, South Australia is leading the way in this respect, having announced a chronic homelessness SIB in partnership with Common Ground in September 2015. The SIB will invest AUD \$9 million in providing housing and support to homeless and at-risk people.²⁰⁸ A NSW chronic homelessness SIB could build on the lessons of the London SIB, which will become clearer when its final report is published later in 2016.

²⁰⁸ Lina Caneva, *Pro Bono Australia, First SIB to Target Homelessness*, *Pro Bono Australia* (online) 9 September 2015 <<http://probonoaustralia.com.au/news/2015/09/first-sib-to-target-homelessness/>>.