

Social Impact Bonds and Homelessness: Questions from the Field

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Introduction

Homelessness has been identified by the South Australian Government as one of four focus areas for Social Impact Bonds (SIBs) in South Australia and Shelter SA has followed the introduction of SIBs with interest. In 2014, Shelter SA hosted an Adelaide University Arts Intern student with a research brief to critically examine what is currently known about SIBs and to identify the opportunities and challenges they present from a community services perspective.

The review findings confirmed that there is no substantial theoretical basis upon which SIBs are premised and there is a lack of objective, high quality evidence to support the development and implementation of the SIB model. The report recommendations also included the commission of a South Australian based intermediary, support and capacity building for smaller organisations to participate in SIBs and the setting of reasonable targets and measurements. The student report is available online¹ and a summary of the key challenges and opportunities identified in the area of SIBs is shown below.

Shelter SA Sector Consultation: Level of Understanding of SIBs

Shelter SA held a sector consultation in Adelaide on 12 March 2015 to explore SIBs and homelessness. At the beginning of the consultation, participants were asked to self-rate their level of understanding of SIBs. Eighty nine per cent of participants rated their knowledge level as low or very low, indicating the need for capacity building activities and more information about SIBs.



A wide range of questions were raised during the event that demonstrated a general lack of knowledge about SIBs and how they might operate in South Australia. Participants said that there is a lack of clear definitions about the roles and responsibilities of stakeholders; tensions between traditional ways of funding community services and SIBs; and had more questions around attaining good client outcomes and a for-profit model of financing community services.

Participants said that SIBs present a new and potentially exciting source of funding for community services. However, a lack of knowledge and

certainty about SIBs generally, has the potential to create trepidation and negative attitudes, and may also contribute to feelings of distrust of 'for-profit' models of funding community services. The risks to the sector and other stakeholders require a better explanation and communication from the state government.

- The measurement of social impact is a critical issue and was cited consistently by all participants throughout the consultation. A majority of participants expressed concerns about client outcomes that are difficult or impossible to measure using objective data. This theme reflects the sometimes small, but vitally important, changes that occur in the lives of vulnerable people that greatly benefit their health and well-being but may not be directly attributable to the intervention of an SIB. For example, a reduced reliance on hospital emergency departments does have a cost saving to the health system and the state government but may be difficult to link to the intervention. Improvement in the management of a chronic condition may similarly benefit the person, but have no observable cost-saving to the community.
- Responsibility — Under an SIB model, it was unclear to participants where responsibility for vulnerable citizens lies. There was a sense that governments are somehow abrogating their responsibilities for vulnerable citizens and the risks involved in the funding and provision of community services. This point of view must be addressed by the state government moving forward.
- The majority of participants agreed that the sector requires a much better understanding of SIBs to participate fully in them and that this could be achieved through a combination of more opportunities to meet with peers, entering into discussions with other stakeholders about their issues and concerns and achieving a clearer understanding of the distinct roles and responsibilities of all stakeholders. Some participants said that capacity building in the community services sector around SIBs is a key ingredient of the homelessness sector's participation.
- One participant said that risk would be held by community service providers participating in SIBs but several participants said that risk should be shared between government and investor. The issues around risk management and its implications require further opportunities for debate and discussion with clear information to be communicated by state government to all stakeholders.
- Participants expressed concern that small community service providers will be excluded from innovative SIBs projects due to a lack of capacity and range of skills and resources required to initiate a project. Participants said that the loss of niche service providers would be detrimental to the sector and to vulnerable citizens because of their capacity to work closely with local communities and pay attention to specific social issues.

Discussion

The opportunities and challenges identified in the Shelter SA critical review of SIBs were validated by participants throughout the consultation event. The findings of Shelter SA's work to date clearly indicate areas where government and non-government leadership, communication and engagement around SIBs is needed to engage the sector in current processes and to build up the evidence-base for SIBs.



Adding to the lack of theory behind SIBs, it appears to be a foreign concept that is far removed from traditional community services and quality client outcomes. A consistent theme during the consultation was that the position of clients and the wider community is currently too abstract — the absence of a clear philosophical position and principles to enshrine the identity and rights of citizens in SIBs is a weakness that must be addressed by all stakeholders.

There is no shared understanding or common language between the diverse stakeholder groups required to initiate SIBs — government, investors, community services and intermediaries. The roles and responsibilities of each stakeholder are not clearly enough defined to be well understood by the majority of participants. This deficiency is unsurprising given the range of skills, experiences and objectives of each stakeholder but must not be overlooked to progress SIBs.

Many community service workers require further education, information and opportunities to ask questions and discuss issues with peers, government and other stakeholders in order to fully embrace SIBs.

Conclusion

Shelter SA acknowledges the contribution of all participants in the SIB consultation and looks forward to receiving feedback from a wide range of stakeholders to inform next steps in this important area for the community services sector and state government. Shelter SA will seek to engage all stakeholders, including the state government, to progress the issues, questions and advice raised to date, utilising a collaborative approach.

Endnote

1. Via the Shelter SA website at
<http://www.sheltersa.asn.au/wp-content/uploads/C-Edwards-SIB-REPORT-POSTERCOMBINED.pdf>