



**CHANGING LIVES,
CHANGING SYSTEMS**

**PROVIDING DECENT HOMES TO
FAMILIES AT RISK OF HOMELESSNESS**

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Introduction

This report is one of a series of ***Changing Lives, Changing Systems*** reports commissioned by Social Finance into its experience of pursuing impact at scale, in order to draw out and share lessons for charities, funders and others involved in social change.

The series covers five initiatives that Social Finance has worked on over the last five years:

- **Drive** – a ‘systems change’ initiative aiming to change the way that the criminal justice system, social services and other statutory and voluntary agencies respond to high harm perpetrators of domestic violence and abuse
- **Health & Employment Partnerships** – a ‘portfolio’ programme which has pursued a wide variety of approaches to develop and spread better models of employment support for people with health conditions
- **Housing Gateway** – an initiative which took an ‘open source’ approach to share its sustainable model for housing homeless families more widely
- **Positive Families Partnership** – a programme supporting families at risk of breakdown, which was built around a ‘platform’ model that enabled new areas to come on board quickly and easily
- **Reconnections** – a programme for lonely and isolated older people which Social Finance transferred to a larger specialist organisation with the resources to replicate it in multiple areas

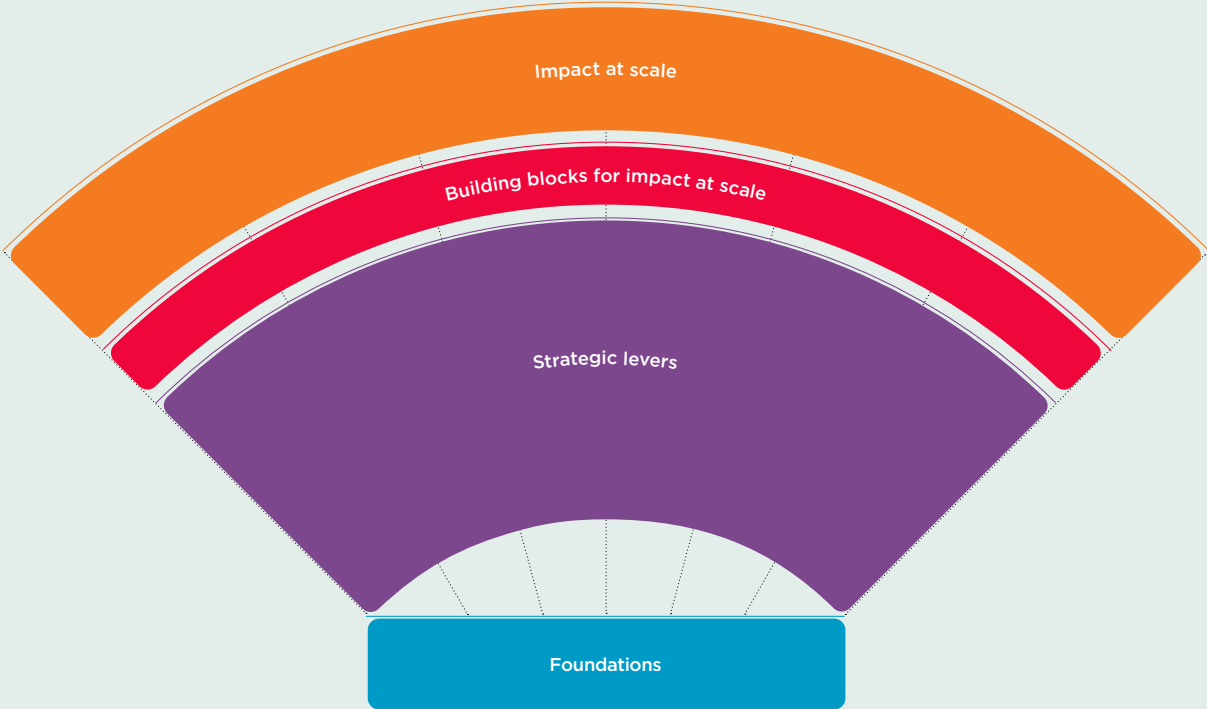
Based on our experiences as well as other initiatives that have achieved social impact at scale, we have identified a range of different routes to scale (see diagram).

“Open sourcing” is one way to take an existing approach or way of doing things, and enable it to grow (“*adapt business model for scale*”) – in this case by making your model freely available for others to adopt or copy. Since the originating organisation isn’t responsible for replicating the model, this is often seen as a relatively simple, low-cost route to scale, especially in the digital age. However, we see few successful examples of open sourcing in the voluntary sector.

This report sets out the lessons from Social Finance’s experience of this route to scale. We hope they will be of interest to VCSE organisations and funders seeking scale / wider uptake of their models through open sourcing, white labelling or similar approaches.

These reports were written by Dan Jones. Dan is an independent consultant who has worked with Social Finance to capture its learning on impact at scale. He has extensive experience across the social sector in the UK and internationally, most recently as Director of Innovation & Change at the Centre for Ageing Better.

FIGURE 1. ROUTES TO SCALE FRAMEWORK



Executive Summary

Housing Gateway is a property company wholly owned by Enfield Council which provides decent homes to families who would otherwise be homeless, with the cost of rent generally covered by central government. Social Finance supported Enfield to build the business case, establish the company and structure the financing deal and initial housing purchase process.

Launched in 2014, Housing Gateway was one of the first council-owned housing companies set up under new powers granted to local authorities in England in 2012. Since then, there has been widespread adoption of these local housing companies, with an estimated 250 established by 2018.

Social Finance packaged their initial work on Housing Gateway into a set of technical and financial guidance, including detailed cost modelling, and publishing this as a free resource. With so many other councils interested in setting up local housing companies, this 'open source' approach has made a valuable contribution to the wider spread of the idea.

The Housing Gateway experience suggests a number of lessons for organisations seeking to grow new approaches to social problems through an open source approach:

1. *The policy context matters*
2. *The financial context matters*
3. *The 'ecosystem' that supports learning and implementation in the wider sector matters*
4. *Communication matters* – even in a highly supportive context, it is still essential to tell people about your new solution

Organisations should only pursue a standalone open source approach to scale if their model is very well aligned with a wider context which is highly supportive of change. If the context is right, this approach can contribute to very wide uptake of new solutions – genuine impact at scale – for a relatively low investment of money and time.

Government and other funders can support organisations to achieve impact at scale through an open source approach by funding the costs of developing new models to translate policy into practice, and supporting collaboration, capacity building and communication to encourage wider uptake of these models.

What is Housing Gateway?

Housing Gateway is a company wholly owned by Enfield Council which provides homes for people at risk of homelessness. Seven years after being established, Housing Gateway now owns a portfolio of 500 houses across the borough, which it rents to people who would otherwise be homeless. The rental payments are covered by Local Housing Allowance, which is funded by central government.

Enfield Council has borrowed £200m to purchase the properties. As the council was able to secure a loan at a preferential interest rate under its prudential borrowing arrangements, the rental income is enough to cover the costs of interest and debt repayment and generate a surplus to run the company.

Previously, the council had to supplement Local Housing Allowance payments from its own funds to meet the costs of private rental. Some of this short-term private sector accommodation – B&Bs or similar – was both much more expensive than the LHA rate, and much less suitable. With local rents cheaper than in inner London, other boroughs were sending increasing numbers of people to Enfield for housing, and the council was projecting a multi-million pound deficit on its housing budget.

Housing Gateway has turned this around – from a significant local cost, with council money going to private landlords, Enfield is now housing 500 homeless families in decent homes, in a way that generates a net return to the council. It has also acquired a significant property portfolio as a public asset.

In a context of rising numbers of homeless families in B&Bs and other often inappropriate temporary accommodation, Housing Gateway and other council-owned housing companies which have copied its approach represent a radical and sustainable way forward.

DEVELOPING THE MODEL

In 2013, Social Finance was commissioned by the Department of Communities & Local Government to explore new investment models to increase the supply of decent, secure rental accommodation for homeless households. Social Finance worked with four “pathfinder” local authorities, including the London Borough of Enfield, to develop and assess the viability of potential new housing models. As a result of its involvement in this project, Enfield committed to launching its own, wholly owned property company in 2014.

Social Finance supported Enfield Council to establish Housing Gateway, working with council officers and the council’s lawyers to set up the company, structure the housing purchase and financing, and build the business case and financial model. The key people involved from Social Finance both had a background in investment banking, and they were able to demonstrate that the Housing Gateway concept made financial sense. Social Finance’s involvement also gave the council team confidence that they could do something that was so far outside their experience and usual ways of working.



As well as expertise in structuring deals, Social Finance brought an outside eye which allowed them to identify and model costs and savings from across departments and spending lines. The Social Finance team also helped resolve other issues across internal boundaries – for example, linking to social care teams with responsibility for homeless families to understand the likely caseload, and drawing in expertise from other teams on practical issues such as asbestos surveys. They also advised the council on contracting surveyors and other external providers, setting prices for fixtures and a range of other practical issues.

Social Finance returned to conduct a progress review for the council after 12 months. At this stage, Housing Gateway was well established, and after exploring the potential for supporting the council's wider housing work, Social Finance stepped away.

Open sourcing and scale

Housing Gateway was one of the first, and largest, housing companies established in England under new powers granted to local authorities in 2012. Subsequently, there has been widespread adoption of local housing companies. Research for the RTPI suggested that by 2018 nearly 80% of local authorities in England already had some form of housing company or similar vehicle – a total of ~250 against an estimated 25 in 2015.¹

Social Finance advised a few other local authorities, such as Blackpool and Brent, which went on to establish their own local housing companies.

However, Social Finance's main contribution to the growth of this approach was probably to package their initial work for DCLG and Enfield into a set of technical and financial guidance, including detailed cost modelling, and publish this for anyone to use.² This has provided local authorities interested in the approach with the tools to build an initial business case and begin the process of setting up their own property company, without any direct involvement or support from Social Finance.

It's notable that almost all local authorities have set up their own local housing companies, with very few examples of companies operating across more than one council. So an alternative route to scale could have been to establish a 'platform' company, shared investment vehicle or similar model that allowed multiple local authorities to pool set-up and management costs, and potentially access more investment capital.³ By comparison, the open source approach is a much lower cost route to scale.

An open source approach may therefore be of interest to funders who want to grow their impact on an issue without a huge increase in spending, as well as organisations who have a great model, but very tight geographical or resource limits constraining them from spreading it more widely.

1 Morphet and Clifford (2019) Local Authority Direct Delivery of Housing: Continuation Research, RTPI Research Paper <https://www.rtpi.org.uk/media/3426186/lahousing2019.pdf>

2 See e.g. Supporting Homelessness Prevention and Alleviation through Investment in the Private Rental Sector (2014) <https://www.socialfinance.org.uk/sites/default/files/publications/supporting-homelessness-prevention-and-alleviation-through-investment-in-the-private-rental-sector.pdf>

3 For further discussion of the 'platform' route to scale, see the Positive Family Partnerships case study in this series

Rationale

Any strategy for impact at scale needs to take account of three main parameters:

- The change you are trying to achieve
- Your organisation's distinctive competences and constraints
- The external context

The **change** Social Finance sought was a better approach to tackling homelessness.

Housing Gateway has very significant advantages over existing responses – it provides decent homes, and it is financially sustainable. It is also relatively simple for local authorities to deliver, as most already have the capabilities to manage and maintain social housing and to handle capital borrowing. It is almost a 'no brainer' for councils, lending itself to an open source approach which wouldn't work for more complex or riskier solutions.

The open source approach also had an obvious advantage in terms of the organisational **constraints** on Social Finance – it offers a route to impact at scale for a relatively limited, time-bound investment of resources. Typically, organisations play a key ongoing role in scaling, whether directly replicating their model or supporting others to do so. Their mandate and scope (for example, geographic remit or target group) impose significant constraints on where and how they can pursue scale, as do their resources and capability. Making a model available to anyone who wants to replicate it removes these constraints, and in theory should enable much more rapid scale.

There are also disadvantages to this approach, of course. The originating organisation doesn't have any control over how others apply or adapt their idea, and indeed they are unlikely even to find out whether, where and how it has been taken up. For example, while tackling homelessness is one of the main reasons that local authorities give for establishing local housing companies, many focus on building new properties, which is very different from the Housing Gateway model.⁴

For organisations seeking to attribute their impact or to attract more funding for their own work, this loss of ownership is a major disincentive. Social Finance's willingness to seed the market for others, rather than seeking to grow its own footprint, was crucial in its choice of an open source approach.

⁴ Morphet & Clifford (2019); Local Housing Companies, briefing prepared for the Greater London Assembly Housing Committee, 2018
https://www.london.gov.uk/sites/default/files/local_housing_companies.pdf



Finally, it was absolutely critical that the wider **context** was extremely supportive:

- There was a strong and sustained policy push from DCLG in support of local housing companies
- Local authorities faced increasingly unsustainable financial pressures on housing revenue and expenditure, while being able to borrow capital at historically low rates of interest – creating a perfect business case for a local housing company
- As well as the council’s own in-house capabilities, there was a well-established ecosystem of legal and financial advice and support to help them adopt models such as local housing companies

This combination of political, financial and sectoral / systemic factors meant that local authorities were highly receptive to new solutions. In the absence of such a strongly enabling context, an open source approach would not have generated anything like the same momentum towards scale.

However, in this kind of supportive context, an open source approach can contribute to very wide uptake of new solutions – genuine impact at scale – for a relatively low and time-bound investment of resources.

Learning from an open source approach

Social Finance's experience with Housing Gateway suggests a number of lessons for organisations interested in this route to scale. The main lesson is that an open source approach can only make a contribution to scaling new solutions if the wider circumstances are extremely supportive.

1. THE POLICY CONTEXT MATTERS

Housing Gateway was closely aligned with a significant policy shift from central government. DCLG sponsored the initial exploration and development of the concept and business case. This was part of a wider government recognition that the growth in temporary accommodation for homeless people was not an acceptable solution, as well as being financially unsustainable. The work followed on from the 2012 Montague Review, which looked at how to encourage institutional investment in the private rented sector, including by local government, so as to better meet local housing need.⁵

The 2011 Localism Act had already widened councils' powers to establish local housing companies and make greater use of private rented accommodation, as part of a range of measures to tackle homelessness. Alongside this formal legislative change, central government also began to signal its encouragement to local authorities to use their housing incomes more creatively. In 2015, the Elphicke-House Review into the role of local government in housing supply specifically recommended innovative financing mechanisms such as local housing companies.

This set of permissions and signals from central government added up to a clear push to local authorities to explore new ways of working with the private rented sector. The Elphicke-House report in particular clearly led to a significant growth in interest in local housing companies.

In October 2018, the Government changed the regulations on local authority borrowing, allowing councils to borrow against future housing income for housebuilding and housing provision. This has arguably reduced the incentive for councils to establish local housing companies, as they are now able to play this role directly, and it remains to be seen whether the model will continue to grow.

Interestingly, it's been reported that an increasing number of councils are using their local housing companies for specialist provision, including for homelessness, while they focus their direct delivery on the general housing supply need. The specific Housing Gateway model may yet become even more relevant.

Organisations should only pursue an open source approach to scale if their model is highly aligned with the wider policy / institutional context and incentives / signals from the system.

⁵ Nick Salisbury, the Social Finance Director who supported Enfield to develop Housing Gateway, had previously served as an advisor to the Montague Review

Government and other funders can maximise this alignment by investing in scoping / feasibility studies, business case development, demonstrators and other activity designed to translate policy into practice.

2. THE FINANCIAL CONTEXT MATTERS

Enfield's position as a borough with relatively low housing costs on the outskirts of London probably made it more vulnerable to the rising costs of accommodation for homeless households, or at least brought the issue to a head earlier. This was the context which initially led Enfield to seek Social Finance's input in 2013. Within a few years, many other local authorities were facing similar pressures on their housing budgets.

In this context, the business case for a local housing company – especially one like Housing Gateway that buys existing properties rather than building new ones, so that it can rapidly develop an asset base – became much more compelling. Most local authorities have established capacity for property maintenance and collecting rent, so the start-up costs are manageable, and any surplus income from rents contributes to existing overhead. Local Housing Allowance is paid by central government, so it represents a predictable and stable income stream.

A fundamental economic factor enabling wider scale was that sector borrowing remained extremely cheap throughout the 2010s, so that rental income easily covered the cost of debt servicing.

Organisations should only pursue an open source approach to scale if their model is highly aligned with the market conditions and pressures in their sector.

3. THE ECOSYSTEM MATTERS

From open source programming languages and software platforms to 'white labelling' software to enable wider adoption, open source is a key route to scale for tech, especially where there is not a direct consumer offer. However, research by Shift Design, a leading innovation and design charity, found almost no examples of successful open source scaling of digital products by UK charities.

The imperatives and incentives in non-commercial organisations are very different, and tend to work against adopting solutions developed by someone else – and this is just as true in the statutory sector as for charities, and for services as well as for tech solutions. So it's interesting to reflect on why Housing Gateway and other local housing company models have been adopted so widely.

A key reason seems to be that the model was built on well-established core principles and processes. This has meant that local authorities could draw on existing capabilities and sources of support in developing their own initiative. For example, most councils already had some role in managing rented housing. Robust systems and structures for capital borrowing existed, as did a wider 'ecosystem' of support and advice, all geared to managing financing and property transactions.

This meant that there were plenty of ‘advisory’ actors – lawyers, accountants, consultants etc – able to pick up the Housing Gateway materials and support councils to implement similar approaches. Indeed, while Social Finance has not directly worked on any other local housing company deals, it’s likely that the solicitors, surveyors and other professionals who advised Enfield have done so.

An interesting ‘missed’ opportunity would have been to work with an organisation within the sector, like the Chartered Institute of Housing, which provides training to housing professionals through its Academy programme, or the Local Government Association, which supports councils to develop new solutions to tackle local housing need through its Housing Advisers Programme.

Organisations interested in an open source approach to scale should seek to ‘go with the grain’ of their sector, building on familiar principles and existing sources of support.

Unless the solution they are trying to spread is extremely simple and easy to implement, they should only pursue an open source approach to scale if there is existing advisory capacity within their sector to support take up and wider adoption.

They may also want to explore other ways of building the capacity and appetite of their target sector to adopt their model – as part of this, they should consider who is best placed to be the long-term owner and champion of their model.

Funders can support this approach to scale by encouraging partnerships between innovators and providers of training / advisory services.

Government and larger funders seeking to enable more rapid uptake of a range of new ideas and practices may also want to consider how they can strengthen the capacity of their target sectors and support an ‘ecosystem’ of advice and support for implementation and adoption.

4. COMMUNICATION MATTERS

The widespread adoption of local housing companies has clearly been driven by the combination of a supportive policy environment and a robust business case that responds to increasingly challenging financial pressures, and that can be implemented using existing structures and support providers. Without these contextual factors, it’s hard to imagine that even a highly successful example such as Housing Gateway would have attracted much attention or gained wider traction.

However, even with a context that was relatively enabling, it is still hard for local authorities to do something new, especially something with potentially significant financial risk. Housing Gateway could not have been established in Enfield without a highly entrepreneurial Chief Executive and senior leadership team, and the full support of the council’s Cabinet Member for housing.

One of the key things that Housing Gateway therefore provided to other councils was reassurance. Enfield, along with a few other early adopters, demonstrated that a local housing company was a feasible option for a local authority. The success of Housing Gateway 'derisked' the idea of council investment in rental properties, and this was an important factor in encouraging other local authorities to pursue this model, once they too reached the financial brink.

As well as Social Finance publishing its tools and guidance, and providing advice to other interested authorities, Enfield Council also actively championed the model and publicised their success within wider local government and housing networks. This kind of peer recommendation is an important part of encouraging 'second wave' adopters to take up a new idea, and Enfield was a highly effective advocate.

It has probably also helped that the local government housing sector is relatively tight knit, with strong networks and connections between authorities, and regular movement of senior people from posts in one council to another. Of course, as more and more councils have established their own local housing companies, the idea has gained its own momentum and credibility.

Nevertheless, in 2018 over 20% of councils still reported that one of their main barriers to setting up a local housing company was a lack of knowledge and understanding of what was involved.⁶ Social Finance could clearly have done more to actively disseminate its resources to local authorities.

Organisations interested in open source approaches to scale will still need to invest significantly in communications and dissemination, especially through peer-to-peer channels.

They may want to consider investment in branding and marketing of their model in the first instance, to build interest within their target sector.

Funders can support this approach by funding the costs of learning, documentation, branding and communications, over and above the development of the new model / solution.

⁶ Morphet & Clifford (2019)

Summary of lessons

THE POLICY CONTEXT MATTERS

- Organisations should **only** pursue an open source approach to scale if their model is highly aligned with the wider policy / institutional context and incentives / signals from the system

THE FINANCIAL CONTEXT MATTERS

- Organisations should **only** pursue an open source approach to scale if their model is highly aligned with the market conditions and pressures in their sector

THE ECOSYSTEM MATTERS

- Organisations should seek to 'go with the grain' of their sector, building on familiar principles and existing sources of support
- They should **only** pursue an open source approach to scale if there is existing advisory capacity within their sector to support take up and wider adoption
- They may want to explore other ways of building the capacity and appetite of their target sector to adopt their model
- They should consider who is best placed to be the long-term owner and champion of their model

COMMUNICATION MATTERS

- Organisations will need to invest significantly in communications and dissemination, especially through peer-to-peer channels
- They may want to consider investment in branding and marketing of their model in the first instance, to build interest within their target sector

FUNDERS CAN PLAY AN IMPORTANT ROLE IN SUPPORTING ORGANISATIONS TO PURSUE SCALE THROUGH AN OPEN SOURCE APPROACH:

- Help maximise alignment with the policy context by investing in scoping / feasibility studies, business case development, demonstrators and other activities to translate policy into practice
- Encourage partnerships between innovators and providers of training / advisory services
- Fund learning, documentation, branding and communications, over and above development of the new model / solution

More broadly, funders may want to consider how they can strengthen the capacity of their target sectors and support an 'ecosystem' of advice and support for implementation and adoption.

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Social Finance is a not-for-profit organisation that partners with government, the social sector and impact investors to find better ways of tackling social problems and improving the lives of people in need.

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