

About Commissioning Better Outcomes and the Social Outcomes Fund



Commissioning Better Outcomes and the Social Outcomes Fund

Further copies available from:

Email sioutcomesfunds@biglotteryfund.org.uk
Phone 0845 4 10 20 30
Our website www.biglotteryfund.org.uk/sioutcomesfunds

Accessibility

Please contact us to discuss any specific communication needs you may have.

About the Big Lottery Fund

The Big Lottery Fund's equality principles

Promoting accessibility; valuing cultural diversity; promoting participation; promoting equality of opportunity; promoting inclusive communities; reducing disadvantage and exclusion. Please visit our website for more information.

We care about the environment

The Big Lottery Fund is working towards sustainable development and the use of sustainable resources.

Our mission

The Big Lottery Fund is committed to bringing real improvements to communities and the lives of people most in need.

Our values

The Big Lottery Fund has identified three values that underpin our work: making best use of Lottery money, using knowledge and evidence and being supportive and helpful.

You can find out more about the Big Lottery Fund, our values and the funding programmes we run by visiting our website: www.biglotteryfund.org.uk

The Big Lottery Fund is committed to valuing diversity and promoting equality of opportunity, both as a grantmaker and employer. The Big Lottery Fund will aim to adopt an inclusive approach to ensure grant applicants and recipients, stakeholders, job applicants and employees are treated fairly.

About the Cabinet Office

The Cabinet Office exists to support the Prime Minister and Deputy Prime Minister, and ensure the effective running of government. We are also the corporate headquarters for government, in partnership with HM Treasury, and we take the lead in certain critical policy areas. Within the Cabinet Office the Social Investment and Finance team supports the UK social investment market to grow by:

- Increasing the supply of capital into the market – for example, through developing the potential for retail investment, and promoting London as a global hub for social investment
- Growing the demand for capital – for example, through increasing the capacity and capability of social enterprises to take on investment, as well as supporting the development of SIBs through our specialist Centre for Social Impact Bonds
- Creating an enabling environment for investment to occur – for example, through tackling the regulatory barriers to social investment in the UK and exploring new legal forms of investment structures to catalyse the market.

You can find out more about the Cabinet Office and our social investment work here:

www.gov.uk/government/policies/growing-the-social-investment-market

© Big Lottery Fund, July 2013

What's it all about?

Commissioning Better Outcomes and the Social Outcomes Fund

The Big Lottery Fund and the Cabinet Office are working together to support the development of more innovative approaches to improving social outcomes. We are focusing on approaches that use Payment by Results (PbR) mechanisms, particularly those which involve social investment such as Social Impact Bonds (SIBs). To achieve this we have set up two funds – the Cabinet Office's Social Outcomes Fund and the Big Lottery Fund's Commissioning Better Outcomes – with a joint mission to support the development of more SIBs. Between them these funds are making up to £60 million available to pay for a proportion of outcomes payments for SIBs in complex policy areas, as well as support to develop robust proposals.

Our shared overarching aim is to grow the market in SIBs, although each fund has a specific focus that reflects the missions of the Big Lottery Fund and the Cabinet Office. For the Big Lottery Fund, this is to enable more people, particularly those most in need, to lead fulfilling lives, in enriching places and as part of successful communities. For the Cabinet Office, this is to catalyse and test innovative approaches to tackling complex issues using outcomes based commissioning.

Definitions of terms used in this document

'Project'	The PbR/SIB contract you want us to fund a proportion of outcomes payments for
'Intervention'	The activities that the provider carries out in order to achieve the outcomes in the PbR/SIB contract
'Cohort'	The target beneficiary group the intervention will work with

Payment by Results and Social Impact Bonds

A 'Payment by Results' contract is one where a public sector commissioner agrees to make a payment if a service provider achieves certain outcomes. This means service providers receive funding for the improvements they make for people and communities rather than the activities they deliver. For example, rather than directly funding CV writing workshops and job readiness programmes to support unemployed people back into work, payments would be made based on the number of people a provider successfully supports back into employment. This approach means there is more room for innovation in service provision and greater freedom to demonstrate solutions that work.

Service providers may come from the private or voluntary, community and social enterprise (VCSE) sector. However, some providers do not have the financial resources to wait until outcomes are achieved before they are paid, particularly if they come from the VCSE sector. Social investment can fill this gap through a model known as a Social Impact Bond (SIB).

In a SIB, investors provide upfront capital to organisations, often from the VCSE sector, that require financial support to deliver services under a PbR contract. The investors receive their investment back, plus a return if outcomes are achieved, through outcomes payments made by the commissioner. Outcomes payments are often based on savings made by the commissioner resulting from a successful intervention.

Although a SIB is just one type of PbR model, throughout this guidance we use the term 'SIB' to mean any PbR model.

Where outcomes can be clearly defined and measured, SIBs can be a powerful tool. However, because complex social issues often span multiple parts of the public sector, it can be challenging for a single commissioner to pay for all of the outcomes achieved, particularly when budgets are tight. In this situation commissioners can apply to Commissioning Better Outcomes and the Social Outcomes Fund for a 'top-up' to their outcomes payments. This top-up is in recognition of the benefits that accrue to other public sector commissioners who are unable to pay for outcomes achieved. The funds will catalyse innovative services that deliver positive social outcomes and generate evidence on what works in tackling complex social problems.

Centre for Social Impact Bonds

SIBs are new and innovative structures that enable a different approach to commissioning. There is a growing body of resource and support available to SIB developers and we recommend that applicants make the most of this throughout the application process.

The Cabinet Office Centre for Social Impact Bonds provides light-touch support to SIB developers and has produced a series of tools and resources to help develop SIBs.

- ▶ The Knowledge Box is a modular resource containing the latest thinking on SIBs and can be accessed here:
http://data.gov.uk/sib_knowledge_box/
- ▶ A template and guidance for developing PbR contracts can be found here:
http://data.gov.uk/sib_knowledge_box/sib-template-contract-uk

You can contact the Centre for Social Impact Bonds by emailing:

sibs@cabinet-office.gsi.gov.uk

Development funding and the support of an independent support contractor will also be available to organisations that pass the initial Expression of interest stage.

What are we looking for?

There is growing interest among public sector commissioners in the potential of SIBs to tackle complex and expensive social issues. Commissioning Better Outcomes and the Social Outcomes Fund have a joint overarching aim to support the development of more SIBs; however, each fund has its own specific focus that reflects the respective missions of the Big Lottery Fund and the Cabinet Office.

The objectives for the two funds are set out below:

Commissioning Better Outcomes	Social Outcomes Fund
Improved skills and confidence of commissioners with regards to the development of SIBs.	Increased innovation in public service delivery through outcomes based commissioning.
Increased early prevention is undertaken by delivery partners, including VCSE organisations, to address deep rooted social issues and help those most in need.	Improved cross-government working in public service delivery and encouraging co-payment by different commissioners.
More delivery partners, including VCSE organisations, are able to access new forms of finance to reach more people.	Increased number of SIBs addressing complex needs and demonstrating ability to replicate by standardising the process.
Increased learning and an enhanced collective understanding of how to develop and deliver successful SIBs.	Increased capacity for SIBs as a long term tool of government to improve outcomes and reduce costs, by supporting SIBs that test cashability of savings and ensure evidence is gathered to: <ol style="list-style-type: none"> 1. determine performance of interventions on their primary outcome 2. increase evidence on the impact of interventions on wider outcomes 3. improve outcome valuation.

We will decide during assessment which fund is most appropriate for your application and in some cases may decide to jointly fund projects.

Who can apply?

As many of the objectives for the two funds complement each other, there will be a single set of forms to make applying as simple as possible.

Applicants follow a two stage application process consisting of an Expression of Interest (Eoi) and, once this is approved, a full application. Commissioners, providers or intermediaries can all submit an Eoi, but we expect full applications to be from a commissioning organisation (typically a public sector organisation), for example:

- a Local Authority, seeking to improve outcomes for troubled families
- a Central Government Department, seeking to reduce problem drug use
- a Clinical Commissioning Group, seeking to reduce hospitalisation of the elderly
- a Police and Crime Commissioner, seeking to reduce gang membership.

In exceptional circumstances we would consider full applications from other organisations (such as providers) as long as there is a commissioner involved. Please discuss this with us before applying.

Throughout the development of your model, we expect you to:

- undertake early and extensive research and stakeholder engagement
- consult with beneficiaries
- consult with a wide range of potential delivery partners, including those from the VCSE sector
- find support for your SIB from a range of different stakeholders such as other commissioners, investors, delivery partners and prime contractors
- be aware of your obligations under the Public Services (Social Value) Act 2012, and consider how any procurement might improve the economic, social and environmental wellbeing of the local area.

What types of SIB can we fund?

We will only offer top-ups to create new SIBs and will not pay for additional outcomes for existing SIBs. This is because one of the key aims of the funds is to grow the SIB market.

Under Commissioning Better Outcomes, the Big Lottery Fund will only fund SIBs that have a clear emphasis on improving outcomes for those most in need and that ensure VCSE organisations have the chance to be involved. The Big Lottery Fund will also only support SIBs that do not replicate or replace services that a public body has a statutory duty to provide and will only fund applications that involve social investment.

The Cabinet Office's Social Outcomes Fund aims to fund SIBs that lead to new and innovative service provision and enable service redesign. While the Social Outcomes Fund encourages applications that involve social investment it will also consider applications which are on a PbR basis, with particular regard given to propositions that generate savings for the public sector.

We do not want to prescribe the sorts of interventions or outcomes that will be commissioned. We want to top-up SIB models that address complex social issues, include a measurable outcomes framework, and have the potential to attract external investment. This means a variety of organisations that are involved in delivering services for people and communities across a range of policy areas, from crime and employment to health and housing, could be involved in the SIB. We particularly encourage active engagement with the VCSE sector.

The application process & timetable

Process

There are two stages to the application process:

- 1. Expression of interest** – the purpose of this stage is to help us understand the high level detail of your proposed SIB including the social issue you want to address, the commissioner or commissioners involved, the outcomes you are targeting and how they will be measured, and, if known at this stage, what type of intervention you will use.
- 2. Full application** – this will set out full details of how the SIB will operate. It requires similar information to that in the EoI but in considerably more detail, including the target cohort, the outcomes and how they will be measured and paid for, investor engagement strategy, potential delivery partners, and proposals for evaluating the SIB. A full application requires a feasibility study to be undertaken. The time taken to complete a feasibility study and submit a good quality full application will vary from case to case, but applicants should expect it to take at least three months.

If you are successful you will be made an in-principle offer. You will then need to openly procure your delivery partners and ensure any required investment is in place. Offers will be confirmed once you have fulfilled any conditions precedent. Outcomes payments will be made in arrears, and only if or when the outcomes measures set out in the full application, and which form part of your offer, are achieved.

Development funding

If you are successful at EoI stage, you can apply for funding to buy in technical support to help you to develop your proposal. More details are set out below under 'What can you apply for'.

Development funding is optional. If you don't need it you can progress straight from EoI to full application.

Timetable

You can submit your expressions of interest, development funding applications, and full applications at any time within these application windows.

Awards will be made on an ongoing basis.

July 2013 – Joint application process opens.

June 2015 – Closed to expressions of interest.

December 2015 – Closed to development funding applications.

July 2016 – Closed to full applications.

September 2016 – Final full application decisions.

March 2023 – Final outcomes payments made.

You can expect to get a decision on each stage of the application process within the following timescales:

- ▶ **Expressions of interest** – within four weeks of submitting.
- ▶ **Development funding applications** – within four weeks of submitting.
- ▶ **Full applications** – within two months of submitting.

How much can you ask for?

Development funding

You can ask for between £10,000 and £150,000 of development funding to purchase technical support to develop your SIB.

More development funding may be available in exceptional circumstances. Please discuss this with us before applying.

Outcomes payments

There is no minimum or maximum funding available for each SIB but we expect the average amount of funding to be around £1 million.

We will only contribute a minority proportion of outcomes payments, and expect the average contribution to be around 20 per cent of the total outcomes payments.

A greater proportion of outcome payments may be available in exceptional circumstances. Again, please discuss this with us before applying.

How much is available?

The Big Lottery Fund has up to £40 million available through Commissioning Better Outcomes. Up to £3 million of this total has been set aside for development funding.

The Cabinet Office has up to £20 million available through the Social Outcomes Fund.

What can you apply for?

Development funding can be used to purchase technical support including, but not limited to:

- identifying savings (to the commissioner and other organisations) and their value
- estimating cashability of savings and identifying ways of realising them
- defining the cohort and referral pathway
- refining and pricing of outcomes
- developing metrics
- developing the structure of the SIB

- developing the payment mechanism for outcomes
- engaging with potential investors and providers.

In your full application you can ask us to pay for a minority proportion of outcome payments to cover, for example, non-cashable savings or savings that fall to other commissioners who cannot pay for outcomes.

Funding cannot be used for:

- day-to-day running costs for organisations
- pilot activities or any direct service delivery
- retrospective costs.

What else do I need to know?

Support contract

We have appointed a support contractor to work on a one to one basis with applicants submitting an EoI. If you are successful at EoI stage, they will work with you to understand the support you need to develop a full application and will signpost you to a range of potential sources of technical support. You can apply for development funding to purchase some of this technical support.

More information about the support contractor and how to contact them is available on our website:

www.biglotteryfund.org.uk/sioutcomesfunds

Decision making

All applications submitted will be considered for both the Cabinet Office's Social Outcomes Fund and the Big Lottery Fund's Commissioning Better Outcomes. The Cabinet Office will make decisions on the Social Outcomes Fund and the Big Lottery Fund will make decisions on Commissioning Better Outcomes. This could result in an offer of joint funding. Funding will be subject to terms and conditions depending on which fund makes the award.

Public announcement

We will publicise in-principle offers and accept no liability for any consequences, whether direct or indirect, that come about if we subsequently decide to withdraw the offer.

External validation

The Big Lottery Fund and the Cabinet Office will seek external validation of applications. If you have concerns about our sharing your application with particular organisations please let us know.

Evaluation of SIBs

The objectives of the funds are furthered using data captured from SIBs. It will therefore be a condition of funding that applicants agree to share data generated by the SIB, including evidence of the effectiveness of the intervention, the resulting savings and how cashable they are over time. In addition commissioners and providers must be willing to engage with evaluators of their applications.

The Big Lottery Fund has engaged an external evaluator to evaluate the SIBs funded through Commissioning Better Outcomes. SIBs funded through the Social Outcomes Fund are subject to the Cabinet Office's open data policy which is available at:

www.biglotteryfund.org.uk/sioutcomesfunds

Please contact us if you have any questions.

How do I find out more?

You can download an Expression of interest form from:

www.biglotteryfund.org.uk/sioutcomesfunds

If you want to discuss your idea with us first you can send an email to:

sioutcomesfunds@biglotteryfund.org.uk

Help with communication

If you have a hearing impairment you can contact us using a textphone on 0845 6 02 16 59.

We can send you this publication in other formats, such as large print or audiotape.

We will also try to help with other communication needs. Just let us know how we can help you.

