



## Life Chances Fund

### Overview of the Life Chances Fund

The Life Chances Fund (LCF) is an £80m fund, which aims to help those people in society who face the most significant barriers to leading happy and productive lives.

The £80m has been committed by central government to contribute to outcome payments for payments by results (PbR) contracts which involve socially minded investors - i.e. towards Social Impact Bonds (SIBs). These contracts must be locally commissioned and aim to tackle complex social problems.

The LCF will aim for contributions of around 20 per cent of total outcomes payments, with local commissioners<sup>1</sup> paying for the majority of the outcomes payments. However the level of contribution from the LCF will be refined to reflect the balance in savings that are generated for the wider public sector. Where the rate of savings to central government are relatively low and/or the immediate savings to the local commissioner are very high, levels of contribution will be refined to reflect this.

Based on similar funds, the LCF expects to leverage a further £320m in outcomes payments from local commissioners, creating a total pot of £400m for outcomes contracts.

### Objective

The overall objective of the LCF is to help people in society who face the most significant barriers to leading happy and productive lives. It will do this by:

- Increasing the number and scale of SIBs in England;
- Making it easier and quicker to set up a SIB;
- Generating public sector efficiencies by delivering better outcomes and using this to understand how cashable savings are;
- Increasing social innovation and building a clear evidence base of what works;
- Increasing the amount of capital available to a wider range of voluntary, community and social enterprise (VCSE) sector providers to enable them to compete for public sector contracts;
- Providing better evidence of the effectiveness of the SIB mechanism and the savings that are being accrued; and
- Growing the scale of the social investment market.

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<sup>1</sup> See annex for glossary definitions.

## Principles

- The LCF will enable VCSE providers to take a lead role in **transforming public services**, as service delivery providers, SIB managers and project managing SIB arrangements on behalf of commissioners. This service transformation will be delivered by SIBs that take a real systems change approach through genuine risk taking, and through focusing on prevention and early upstream action.
- The LCF will have a **nine year life**, inviting applications for 12 months after each of a number of thematic call outs, with final funding decisions taking place by July 2018.
- The LCF will contribute towards **payment for outcome contracts** focused upon tackling complex social problems. The fund will not contribute towards non-outcome based payment models, because the LCF's aim is to promote greater use of outcome based commissioning models on the basis that they can generate greater value for money than non-outcome based models.
- The LCF will **only top up locally commissioned payment for outcome contracts**, and will not subsidise other central government outcomes funds (e.g. mental health and employment, homelessness).
- The LCF will provide a **minority contribution to outcome payments** for SIBs where the majority of outcome payments are made by local commissioners.
- The LCF will focus on **targeted thematic call outs**. Thematic call outs and hard deadlines will drive SIB development in specific social policy areas.
- The LCF aims to **scale both the size and the number of SIBs** currently in existence, focusing on larger SIBs aimed at working in real depth on a specific issue/service user group. Application scoring will be weighted for proposals that (i) improve or re-align provision, (ii) co-ordinate multiple stakeholders to tackle complex issues, (iii) scale to unlock future savings and (iv) seek innovative solutions.
- The LCF will help to **build the evidence base** for SIBs on both the costs and effectiveness of interventions.
- The LCF will ensure **value for public funds** based on appropriate and proportionate risk and return levels.
- The LCF will ensure **high levels of local VCSE and pro-active service user engagement** and involvement.
- The LCF will **encourage SIBs that support early action** to improve people's quality of life and reduce the burden upon public services.
- The LCF will also aim to **increase transparency in the SIB market** which will help reduce transaction costs and support more commissioners to develop SIBs.

## Fund themes

The LCF will issue thematic call outs, or invitations for bids from applicants for SIBs across six themes. The first two themes will be:

- **Drug and alcohol dependency** – e.g. early diagnosis and treatment<sup>2</sup>
- **Children's services** – e.g. reducing time spent in residential care, preventing entry into care

<sup>2</sup> The former Prime Minister publicly committed, in his '[Life Chances Speech](#)' on 11 January, that up to £30m of the Life Chances Fund will be available for SIBs tackling addiction.

Future themes will be:

- **Young people** – e.g. NEET prevention, youth unemployment and youth justice
- **Early years** – e.g. early intervention, school preparedness and education
- **Healthy lives** – e.g. long term health conditions, public health interventions
- **Older people's services** – e.g. independent living, adult social care and social isolation

More information on each theme will be available in separate topic guides.

There are potential overlaps across the themes (e.g. links between parents with drug or alcohol dependency and the likelihood of their children being taken into care), so applicants with proposals that relate to more than one theme should contact the LCF team to discuss the options.

### Proposals that fall outside the themes

Applicants who have proposals that they consider to be outside the themes should contact the Life Chances Fund Team to discuss their proposal further.

If a proposal does not fit within the above themes, it could still be eligible for LCF funding if it is innovative<sup>3</sup>, well designed and represents value for money. This will be of particular relevance where local commissioners have developed innovative SIBs according to local priorities (with the active engagement of service users and local VCSE organisations) and which also involve early action.

Top-up contributions to innovative SIBs will be awarded on an exception basis.

### Available funding

There is up to £30m funding available for SIBs tackling drug and alcohol dependence, and we will aim to allocate the fund equally across the remaining themes. The total funding across all successful bids will not exceed the LCF value of £80m and the proportion of funding allocated to each theme may change depending upon levels of demand.

### Development Support

A small amount of additional funding has been made available for development grants (i.e. in addition to the £80m allocated for top-up funding). Applicants can apply for grants if they require financial support to procure specific pieces of technical advice to develop their proposal.

Non-financial support will also be available, for example through GO Lab and from the LCF Team. Details of non-financial support will be provided in feedback to successful and unsuccessful applicants throughout the application process.

The funding available will be capped per project at a level that reflects the complexity and novelty of the theme.

The funding will be awarded on an exception basis, where LCF deems the development requirements of a project to have justification for additional central funding. Match funding will be sought from applicants to ensure value for money. This can be a combination of cash and in-kind contributions

<sup>3</sup> Based on previous experience, innovative SIBs are usually smaller and more expensive. SIBs at scale often replicate tested models, and should also benefit from economies of scale. It is acknowledged that there is a tension between the desire for proposals that achieve scale and those which are innovative.

Development grants will be managed by the Big Lottery Fund (although funded by HM Government) and will be available to applicants to purchase technical support. This could include:

- **Metrics and financials** - e.g. identifying savings (to the commissioner and others) and their value, pricing of outcomes, developing metrics and payment mechanisms
- **Service definition** - e.g. cohort definition and referral pathways, refining outcomes
- **Stakeholder participation and engagement** - e.g. potential service users, front line staff networks and communities supporting service users, investors and/or providers
- **Theory of change and Research** – to undertake early stage work in support of developing an evidence base to underpin feasibility – this will only be provided for proposals in new social policy areas

For any grants made a small percentage uplift will be made to contribute to project management costs. The LCF would expect the cost of SIB governance, legal arrangements, pre procurement work, administration, resource to complete LCF applications to be provided by the applicant organisation and their partners in all cases.

For any grants made, applicants will enter into a period of feasibility and development work before moving into full application. There will be restrictions regarding how the money can be spent during this time, and applicants will be expected to leverage additional resource within their immediate networks during this time – this can be a combination of cash and in-kind contributions (but any in-kind contribution needs to be clearly costed). Where commissioners are bring in external support we expect to see a clear plan for ensuring that expertise is retained and shared both inside and outside of the organisation. The grant will need to be fully spent, completed and closed prior to the submission of a full application by the relevant call out date.

### Applying for development funding

Development support questions are included as part of the Expression of Interest (EOI) form. This will be used to assess what additional support a proposal may require to develop it further, and whether an applicant is eligible for development funding.

It should be noted that all proposals will need to have passed the EOI stage of the application process in order for any development funding to be available to them. Only a very limited number of proposals that pass the EOI stage will be awarded development funding.

Additionally, any proposal that is considered for development support will need to provide additional information regarding the applicant organisation, organisational contacts and a lead applicant declaration **no later than two weeks** after being notified of having passed the EOI stage.

### Lifetime of the LCF

LCF will be open to applications from 4 July 2016 and will run for nine years (up until March 2025). All successful projects will be able to draw down money from the fund during this time (or for the duration of their SIB, if shorter). Projects can run beyond 2025, but top-up funding will not be available beyond the lifetime of the LCF. We would normally expect all payments to have been claimed six months before the closure of the LCF (i.e. October 2024) or closure of your grant, whichever is the earlier.

This timeframe allows for the SIBs to be set up and for the longer contracts that are better suited to SIBs (based on previous experience, this can be between three and 10 years dependent on policy area). Specifically, this provides sufficient time for service user referrals, programme intervention, and outcomes measurement and payments.

## Fund Administration

An external organisation, Big Lottery Fund, will act as the fund administrator for the LCF, and will manage the main £80m outcomes fund and the development support fund on behalf of HMG. They will be responsible for managing the fund day-to-day, partnering with HMG for some processes.

Their responsibilities will include:

- **Managing the application process:** the Big Lottery Fund will act as ‘advisor’ to applicants prior to and throughout the application process. As part of this two stage process, they will be responsible for reviewing Expressions of Interest (EOIs), including development support, and Full Applications (FAs), supported by CO.
- **Managing application process:** the Fund will act as an advisor to applicants prior to and throughout the application process. As part of this two stage process, they will be responsible for reviewing Expressions of Interest (EOIs) and Full Applications (FAs), supported by C4SIBs.
- **Funding grants and managing finances:** the Big Lottery Fund will be responsible for creating and sending grant letters and schedules, collecting invoices, making timely payments of funds, and record keeping.
- **Collecting outcomes evidence:** the Big Lottery Fund will be responsible for timely collection of performance data and evidence, and validation of independently verified data and evidence / auditing of performance data against evidence. They will also be responsible for ensuring the data is recorded in a robust manner.

The Big Lottery Fund will act as the main point of contact for the fund, and will engage HMG and others as necessary.

## Government Outcomes Lab

HMG is also expanding the support available to local commissioners in understanding and developing SIBs by partnering with the Blavatnik School of Government at the University of Oxford to create the Government Outcomes Lab (GO Lab).

The GO Lab will provide support to local commissioners including expert advice and guidance. It will also produce practical tools and resources, analyse data and conduct evaluations. This will help local commissioners exploring outcomes-based commissioning and build capacity within these organisations to develop outcomes contracts in the future.

Further information regarding the GO Lab and the support they can provide can be found on their [website](#).

## Useful Information

### Contact details

For any queries regarding the LCF, please [contact us by email](#).

### Resources

#### Websites

- [LCF website](#)
- [Centre for Social Impact Bonds website](#)
- [Big Lottery Fund website](#)
- [GO Lab website](#)

#### SIBs reading

- [Bridges Ventures - Better outcomes, better value: the evolution of SIBs in the UK](#)
- [Bridges Ventures - Choosing Social Impact Bonds: a practitioner's guide](#)
- [Brookings report on SIBs](#)
- [Social Finance Technical Guide](#)
- [Social Finance - Review of Essex SIB](#)
- [Social Finance - Building a business case for prevention](#)
- [Social Finance - Guide to developing a SIB](#)

#### Life Chances

- [Former Prime Minister's speech on Life Chances](#)

## Definitions

The document contains references to the following:

Term	Definition
Outcomes contracts	A contract where the commissioner agrees to pay for outcomes delivered by a service provider. The commissioner establishes measurable outcomes the project should achieve to tackle a social issue and selects a service provider to deliver those outcomes. The service provider will receive payment on delivery of the outcomes (interim and final).
Social Impact Bond	An outcomes based contract where a social investor provides the up-front funding required to deliver the service. The contract will therefore involve a commissioner, a provider and a social investor.
Minority contributor	A contribution, or “top-up”, to an outcomes payment (e.g. from a central fund), where the majority contribution is made by whoever commissioned the service (e.g. a local commissioner).
Complex social problems	An issue or set of issues faced by group of individuals for whom it is difficult to develop and deliver effective interventions. Interventions may exist but often fail to improve long-term outcomes for the individuals affected.
Locally commissioned	Public services provisions that are contracted out at a local level - through a Local Authority, Clinical Commissioning Group, Police & Crime Commissioner, or equivalent.
Local commissioner	Individual / group responsible for commissioning of public services from external providers i.e. decision maker on external contracts (e.g. Local Authority, Clinical Commissioning Group, Police & Crime Commissioner, Housing Association). This could also include non-public sector organisations (e.g. charitable foundations).
Themes (targeted policy areas)	Specific complex social problems that central government has an interest in trying to address through the Life Chances Fund.
Thematic call outs	Invitations for applications to Life Chances Fund across specified themes.  The call outs will take place in three waves, and will cover two themes at a time.
Expression of Interest (EOI)	An initial application form which ensures applicants are clear on what it is they are applying for and how realistic a proposal they are making.

Term	Definition
Full Application (FA)	The full application form, to be completed only once an EOI has been submitted and deemed successful. This includes more detailed information regarding the project and how success will be measured.
Counterfactual	<p>The estimation / measurement of what would have happened if the project did not exist (this can be used as a baseline against which the effectiveness of a SIB can be measured).</p> <p>This should outline what is the expected outcome for the target service users if the SIB intervention were not to take place. For example, for SIB aimed at improving outcomes for looked after children:</p> <ul style="list-style-type: none"> <li>• Outcome with intervention - a child remains in a family placement for 52 weeks</li> <li>• Counterfactual - a child remains in a residential placement for an average of 123 weeks</li> </ul>
Proof of concept	The demonstration in principle that an intervention is effective (e.g. it has delivered interim outcomes for a test cohort). This verifies that it has the potential of being used on a larger scale and/or over a longer period of time.

Additional information can also be found in Big Lottery Fund's ["Commissioning Better Outcomes - Glossary of Key Terms July 2016"](#).