



Department for
Digital, Culture,
Media & Sport

Life Chances Fund

What is the Life Chances Fund?

The Life Chances Fund (LCF) is an £80m fund, committed by central government to help people in society who face the most significant barriers to leading happy and productive lives. It provides top up contributions to outcomes-based contracts involving social investment, referred to as Social Impact Bonds (SIBs) in this FAQ. These contracts must be locally commissioned and aim to tackle complex social problems.

What are the aims of the 2020 further allocation process?

Top-up funding from the LCF was made available through three rounds of funding, between 2016-2018, for payment towards outcomes contracts, or SIBs, tackling complex social problems across six themes. The 2020 further allocation process will offer existing LCF SIB projects, that have received final sign-off, the opportunity to apply to scale their services. This might be by bringing other commissioners on board with projects where there is firm commissioner buy-in. Alternatively, it might be by expanding the size of the existing project cohort, working with existing commissioner(s)

What is the role of the Centre for Social Impact Bonds?

The Centre for Social Impact Bonds (C4SIBs) is part of the Office for Civil Society. The team provides expert guidance on developing social impact bonds (SIBs), shares information on outcomes-based commissioning and supports the growth of the social investment sector. C4SIBs is part of the wider Government Inclusive Economy Unit (GIEU), which is focused on harnessing the power of private investment and business for the advantage of everyone, supporting markets that deliver social impact as well as financial returns and improving the delivery of public services.

What is a social impact bond?

A SIB is one type of outcomes-based contract where a social investor, seeking social as well as financial returns, provides the up-front funding required to deliver the service. The outcomes-based contract will therefore involve a commissioner (normally a public sector organisation), an intervention provider (usually a charity or a social enterprise) and a social investor.

Further Information

How do I get further information about the Life Chances Fund and the 2020 further allocation process?

More detailed information is available through our [website](#).

You can also discuss your proposals for applying to scale your existing LCF project, under the terms of the 2020 further allocation process, by [emailing the National Lottery Community Fund](#).

Life Chances Fund Background

Why was the LCF established?

SIBs and outcomes-based commissioning have emerged as innovative ways for governments to achieve better social outcomes through collaboration with the private and not-for-profit sectors. We know that one of the barriers to the growth of this type of commissioning is the fact that outcomes and savings tend to fall to both local and central government commissioners. The LCF is helping to catalyse the development of locally commissioned SIBs by contributing to outcome payments where benefits fall beyond a single commissioner, for instance. This includes supporting more effective early stage interventions that help to mitigate against more significant socio-economic costs downstream.

What are the aims of the LCF?

The LCF aims to help people in society who face the most significant barriers to leading happy and productive lives. It continues to do this by supporting the growth of locally developed SIBs. By clearly focusing on the outcomes we want to see, SIBs can help to significantly improve people's lives and help to deliver better value for money for local communities and local commissioners, as well as to government as a whole.

The LCF was launched with the objective of increasing the number and scale of SIBs in England. Through greater familiarity with these models, it will become easier and quicker to set them up, and there will be a much clearer picture of what works and what doesn't. This will build up evidence of how effective the models are, and what savings and benefits they are delivering.

By continuing to focus on social investment models, the LCF will help to increase the amount of capital available for local voluntary, community and social enterprise organisations so that they can compete for public sector contracts. This will contribute to wider aims of government to scale up the social investment market.

Applying to the Life Chances Fund in 2020

How long will the LCF run for?

The LCF has a nine year lifetime, which began in 2016 and will come to an end in March 2025.

Am I eligible to apply for the 2020 further allocation process?

Applications can be made by existing LCF SIB projects that have received final sign-off and are seeking to scale their services. This might be by bringing other commissioners on board, or by expanding the size of the existing project cohort, working with existing commissioner(s).

When can I apply for funding?

The EOI stage of the 2020 further allocation process will be launched in the week commencing 16th March 2020, with a deadline for submission of EOIs on 26th June 2020.

All LCF project leads will receive an email confirming launch of the 2020 process, together with a copy of the Expression of Interest form. Any project leads who have not received this email and are interested in applying to scale, should contact The National Lottery Community Fund (TNLCF) as soon as possible.

How do I apply to the LCF in 2020?

Existing LCF SIB projects wishing to apply for further funding from the LCF to scale their projects must follow a two-stage written application process by submitting an EOI and, if successful, completing a final submission.

After the submission of your EOI, your submission will be assessed against the basic eligibility criteria for the fund and the further allocation process. If you are unsuccessful, we'll notify you via email.

Should your application go through to the next stage (final submission), we'll be in touch for further information, including your most recent audited accounts. If you would like to discuss your application further, you can contact The National Lottery Community Fund (TNLCF).

A further interview stage will be scheduled for November 2020 (expected to be between 2nd – 13th November 2020), when some applicants may be required to attend interviews to provide further clarification on aspects of their bids. It is anticipated that selected projects may be required to take part in the interview stage of the process, to satisfy the assessment panel that the proposed scaled project has the necessary stakeholder commitments.

Further information, including guidance for the application process, is available [on our website](#).

As with the core LCF SIB project, all LCF outcomes payments for scaled services will need to be claimed 6 months before the fund closes, so by October 2024.

How much funding can I apply for?

The LCF has a total of £80m to contribute towards outcome payments over its nine year lifetime, a proportion of which has already been committed under earlier funding rounds.

Under the 2020 further allocation process we anticipate projects applying for further funding of no more than fifty percent of their current agreed LCF commitment. In exceptional cases consideration will be given to proposals for a higher uplift, where the terms of the proposed scaling, the anticipated cost-savings and/or the benefits to service users demonstrate that an increased sum is justified.

Since its launch the LCF has aimed for 20 percent contributions to total outcomes payments for projects, depending on the policy area and the balance of savings for local and central government, with local commissioners expected to fund the majority of the outcome payments overall. In the event that proposals for the scaling of LCF projects are approved under the 2020 further allocation process, it is anticipated that projects will receive LCF top-up funding at the same percentage of overall outcomes payments approved for their current operations.

What support does the Life Chances Fund team offer?

The National Lottery Community Fund will continue to act as the fund administrator for the LCF, and will manage the main £80m outcomes fund and development support fund, on behalf of Her Majesty's Government. They will be responsible for managing the fund day-to-day, partnering with the Department for Digital, Culture, Media and Sports (DCMS) for some processes. This includes managing applications to the fund, funding grants and managing finances. TNLCF acts as the main point of contact for the fund, engaging DCMS and others as necessary.

Potential applicants to the 2020 further allocation process can liaise with their current TNLCF Funding Officer / Manager with queries on the 2020 further allocation process. TNLCF will also provide feedback to unsuccessful applications to the 2020 further allocation process.

HMG has also partnered with the Government Outcomes Lab (GO Lab), part of the Blavatnik School of Government at the University of Oxford, expanding the support available to local commissioners in understanding and developing SIBs. The GO Lab is a centre of academic excellence for innovative government commissioning, funded as part of a partnership between the Blavatnik School of Government at Oxford University and the government. Further information regarding the GO Lab and the support they can provide can be found on their website.

Applicants to the 2020 further allocation process will continue to have access to a wide range of technical guidance, advice and peer support via the Government Outcomes Lab (GO Lab). Support resources and opportunities will be signposted to applicants throughout the 2020 further allocation process.

An event will be held for applicants who are successful at the EOI stage of the process, at the Government Outcomes Lab (GO Lab) in Oxford, date TBC. This will provide an opportunity to connect and share learning and experiences with Life Chances Fund peers, as well as an opportunity for further discussion of development support needs.

The GO Lab will continue to offer support and advice for the evaluation of projects.

There are a wide range of local commissioners and intervention providers who have experience of developing SIBs – this includes experience of researching, consulting on, drafting, procuring, delivering and evaluating contracts, all of which is applicable to SIBs. Specialist intermediary bodies can also provide bespoke SIB development support. More information can be found [here](#).

Additionally, SIB developers can get support through resources available at [the GO Lab](#).

What terms am I likely to have to meet if I am successful at final submission stage for the 2020 further allocation process?

There may be some terms that will be proposal specific, but, in general, we will be looking for each applicant who is successful at the final submission/interview stage to agree to:

- ensure all contracts entered into (such as contracts with any intermediary managing aspects of the project or contracts to deliver interventions) are compliant with LCF open procurement requirements.
- review, validate, and obtain commissioner sign-off on service user cohort engagement and referral pathways, outcomes metrics and financials
- progress arrangements for data collection and independent verification and procurement of delivery, investment and, as needed, SIB management partners; so that LCF can be satisfied you will be able to launch the scaled service as planned - if your data collection is sourced from a national database, that cannot be influenced by stakeholders involved in the proposal, then you will not need to independently verify data
- agree to the sharing and publication of information about its project, to meet the learning and dissemination objectives of the LCF and to allow the monitoring and evaluation of the LCF

grant programme. This includes a commitment to transparency and data sharing, together with co-operation with the Government Outcomes Lab (GO Lab) to produce a comprehensive and useful database of Social Impact Bond projects. Any contracts with delivery agents, intermediaries or management agents should reflect this commitment.

What grant management arrangements will LCF require for LCF SIBs?

Grant management will involve:

- *Conversations with your Funding Officer at TNLCF (who will also be available to provide support and guidance to you as needed)*
- *Periodic formal reporting on progress in achieving the SIB's agreed outcomes*
- *Visits to your project from LCF team stakeholders (TNLCF, DCMS, GO Lab and others).*

LCF will expect you to engage with the LCF programme evaluation (ICF and GO Lab) to meet the terms of your award.

Life Chances Fund requirements and expectations

How do you expect to learn from the LCF?

LCF looks to increase learning and enhance collective understanding of how to develop and deliver successful SIBs. Through evaluating the performance of individual SIBs and the fund as a whole, we will understand whether better outcomes were achieved through SIBs catalysed by the LCF. We will also look at whether the SIBs provided good value for money and produced savings, and identify what features of the LCF and the SIBs it supports were particularly effective or ineffective. This will contribute to overall knowledge of what works, and what doesn't.

A fund-level evaluation is being conducted by ICF, which seeks to evaluate the LCF process, the fund as a tool for growing the SIB market and any lessons learned from fund administration. The GO Lab is conducting a project level evaluation, exploring SIBs as a tool for commissioning compared to alternative commissioning approaches. This evaluation will also explore the impact, process and value for money of LCF SIB projects. Alongside this, all LCF projects are expected to undertake local evaluations of their work, the scope for which will be determined at project level.

What types of outcomes contracts does the LCF focus on?

Top-up funding from the LCF was made available through three rounds of funding, between 2016-2018, for payment towards outcomes contracts, or SIBs, tackling complex social problems across six themes. It was a requirement that those contracts were locally commissioned, with a local commissioner committed to paying for a majority of outcome payments, within a measurable outcomes framework. Projects were required to have the potential to attract external investment. In order to meet its aims to scale both the size and number of SIBs, the LCF prioritised projects that could be scaled, were replicable and/or were innovative in terms of the SIB model, the intervention, cross sector partnerships, or policy areas and those that supported early interventions.

My project for scaling does not fit with the original LCF themes - can I still apply?

As the 2020 further allocation process is focused on the scaling of existing LCF projects, we

anticipate projects falling within the original six themes of the LCF or the innovation strand originally advertised.

What do you mean by 'local commissioner'?

By local commissioner we tend to mean a public sector commissioner (but not a central government department). Local commissioners could include any bodies that commission public services, for example:

- *Local Authorities, seeking to improve outcomes for vulnerable families*
- *Clinical Commissioning Groups, and other local health commissioners, seeking to reduce hospitalisation*
- *Housing Associations, seeking to reduce rent arrears arising from poverty due to families being not in education, employment or training*
- *Police and Crime Commissioners, seeking to reduce gang membership*
- *Schools and Colleges seeking to support youth engagement and training*

There could be the potential for grant makers and private entities to act as a commissioner. If you find an organisation willing to do this, we'd be happy to have a conversation to ensure it fits with the criteria for the LCF.

Please note commissioner commitment will be tested directly with commissioners throughout the 2020 further allocation assessment process. Lead applicants will need to ensure engagement with commissioner service teams, commissioning teams, finance teams and other key decision makers at appropriate stages to ensure firm commitment to proposals for scaling by the end of the application process for the 2020 further allocation.

Is there a given structure we should develop for a scaled SIB?

As with the development of core LCF SIB projects, we have no particular requirements for SIB structures, other than keeping them as clear and simple as possible and ensuring any real or perceived conflicts of interest for stakeholders are managed (normally by the commissioner). There should be a logical funds flow and strong separation of roles and duties to avoid conflicts of interest occurring.

My proposals to scale relate to a location outside of England - can I still apply?

Funding will only be available for projects based in England delivering interventions primarily in England (except for in Greater Manchester - see below). Projects located or delivering primarily elsewhere in the UK will not be eligible for funding. This is because social investment and SIBs are a devolved policy.

My project for scaling involves services located in Greater Manchester - can I still apply?

The LCF remit does not run to Greater Manchester (GM) as the devolution settlement has seen a proportion of the overall LCF pot being devolved directly to GM.

What do you expect of applicants when you require engagement with service users?

In line with previous requirements of the LCF we expect projects to have engaged, where appropriate, with service users. We expect applicants to actively engage with service users to target equality groups and other groups with social, economic and environmental disadvantages to

help build and utilise their positive skills and attributes and to ensure the interventions funded through the SIB are as relevant and effective as possible.

This consultation could be through service user and broader community involvement in determining the interventions to be applied; monitoring and evaluating the effect of those interventions; helping to plan current and future interventions and longer term sustainability, replication and scaling; and service user and community representation on operational and strategic bodies co-ordinating the SIB.

LCF expects consultation and engagement with service users to be a sustained part of any funded project throughout its life.

How will you test value for money?

We expect all costs to reflect current market value for provision.

We expect your contracting arrangements to offer good value for money, selecting any new providers through open procurement involving consideration of at least three potential suppliers. Use of pre-qualification questionnaires, drawing from a pool of experienced potential suppliers, Voluntary Ex-Ante Transparency notices and similar arrangements are all acceptable provided they are compliant with the commissioner's financial standing orders and national contract law.

SIB overheads in the form of SIB management and associated costs must be proportionate to the size of the SIB and the delivery contracts, as must the administration fees chargeable by social investment funds and loans funders.

Any financial gain including dividends, interest, performance payments, returns and other surpluses must also be proportionate to the size of the project and to the risk transferred to that stakeholder, where appropriate.

Where there appear to be variations from earlier information provided for projects, we may refer to wider benchmark data when undertaking our assessment of the proposals for further scaling of services. LCF is unlikely to fund proposals where any of these are deemed to be excessive.

Applicants will be expected to manage project overheads and maintain project delivery planned costs within the levels agreed at assessment, throughout the project, to sustain value for money.

How do voluntary, community and social enterprise organisations (VCSEs) benefit from involvement in LCF?

Providers from the VCSE sector are often precluded from involvement in outcomes based contracts because they do not have the financial resources to wait until outcomes are achieved before they are paid. Entering into a SIB means that VCSEs and other smaller charitable sector service providers can access the upfront capital they need to deliver interventions. Under the LCF, VCSEs have had the opportunity to become involved as lead applicants, research specialists, specialists in the needs of service-users and their communities, project managers on behalf of commissioners, managers of SIB arrangements, co-commissioners and investors, providing up-front capital. As in the

development of existing LCF projects, any VCSEs taking on multiple roles need to have strong governance in place to ensure any conflict of interest risk is fully mitigated.

Commissioning and Social Impact Bonds

What is commissioning?

Commissioning is the process of planning, agreeing and monitoring public services. Over the past decade, the role of commissioning as a driver of quality, efficiency and outcomes for people has become increasingly important at central and local levels of government.

What is outcomes-based commissioning?

Outcomes-based commissioning involves a commissioner making a payment to a service provider if certain pre-specified outcomes are achieved. This only happens when tangible and attributable outcomes are achieved and evidenced (such as improvements in health or transition to stable employment). With this model, also known as ‘payment by results’, service providers may need to secure money to run the service until outcomes payments are triggered.

What (or who) is a social investor?

A social investor is an organisation or an individual who wishes to make financial investments that not only deliver a financial return but also generate outcomes. These investors will consider risk, return and impact when making investment decisions, and will choose to invest where they can actively create positive social or environmental impacts. Social investors are using their money to consciously tackle societal issues - while also making a financial gain.

What is a complex social problem?

When an individual or a group of individuals within a community faces a particular social issue, it may well be interconnected with other social issues. For example, drug and alcohol dependency is often linked to problems such as mental health, unemployment, and homelessness. This means the individuals in question have a complex set of needs making it difficult to develop and deliver effective interventions. Interventions may exist, but often fail to improve long-term outcomes because they don't take the full complexity of the problem faced by individuals into account.