Process Evaluation for the Life Chances Fund

25 January 2021

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Process Evaluation for the Life Chances Fund

A report submitted by ICF Consulting Services Limited

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Lucy Loveless

ICF Consulting Services Limited
30 St Paul's Square
Birmingham
B3 1QZ

T +44 (0) 121 233 8900
F +44 (0) 121 212 0308
birmingham@icf.com

www.icf.com

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Abbreviations

CBO	Commissioning Better Outcomes (fund)
CCG	Clinical Commissioning Group
DCMS	Department for Digital, Culture, Media and Sport
EoI	Expression of Interest
GO Lab	Government Outcomes Lab
IFM	Investment Fund Manager
LA	Local Authority
LCF	Life Chances Fund
NHS	National Health Service
PbR	Payment by Results
SASC	Social and Sustainable Capital
SIB	Social Impact Bond
VEAT	Voluntary Ex-Ante Agreement
VCSE	Voluntary Community and Social Enterprise

Glossary of Terms

Hypothesis	A hypothesis is a theory or assumption which you seek to test through research and evaluation.
Investment Fund Manager (IFM)	An Investment Fund Manager is a person or an organisation that administers a dedicated investment fund – here for social outcomes contracts. Social investors can pay into those funds to support social outcomes contracts.
Mechanism of change	A mechanism of change is what needs to happen to outputs to transform them into outcomes or impacts. They are sometimes described as 'triggers'.
Payment by Results (PbR)	A PbR approach ties payments to projects to the achievement of pre-specified objectives.
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.
Theory of change	A theory of change explains how activities are understood to produce a series of results that contribute to achieving the final intended impacts. A theory of change usually include inputs, activities, outputs, outcomes and impacts.[1]
Voluntary Ex-Ante Agreement (VEAT)	A VEAT is a means of advertising the intention to contract a service without opening it up to formal competition.

[1] Description adapted from the Better Evaluation website.

Executive summary

Introduction

In July 2017 ICF were commissioned by the Department for Digital, Culture, Media, and Sport (DCMS) to undertake an independent programme-level evaluation of the Life Chances Fund (LCF). This report presents findings from an extensive programme of fieldwork including exploring applicants' experiences of applying to the Fund, national stakeholder perspectives on implementation, details from eight case studies of launched projects and the impact of the Covid-19 pandemic on delivery. A second evaluation strand, being undertaken by the Government Outcomes Lab is examining the SIB mechanism and its effectiveness and will continue to report until the projects complete in 2025.

Overview of the Life Chances Fund

The LCF was committed by central government to help people in society facing significant barriers to leading happy and productive lives. The programme was launched as a top-up fund, providing contributions of up to £80m to outcomes-based contracts involving social investment, referred to as Social Impact Bonds (SIB)[2]. These contracts are locally commissioned and aim to tackle social problems across six broad policy themes (added below), leveraging up to £320 million from local commissioners to create a total fund of £400 million in outcomes payments. The Fund has seven objectives, namely to: increase the number and scale of SIBs in England; make it easier and quicker to set up a SIB; generate public sector efficiencies by delivering better outcomes and understand how cashable savings are; increase social innovation and build a clear evidence base for what works; increase the amount of capital available to voluntary, community and social enterprise (VCSE) providers to help them compete for public sector contracts; provide better evidence the effectiveness of the SIB approach and savings resulting; and grow the scale of the social investment market.

The LCF is led by the DCMS, with implementation managed by The National Lottery Community Fund (the Community Fund) with support from experts at Traverse and the Government Outcomes Lab (the GO Lab). Successful applicants at the 'expression of interest' stage could apply for a 'development grant' to fund specialist support with their applications. The Fund was launched in July 2016 and will operate to March 2025, implemented through three calls for applications across six themes:

- Themes 1 & 2: Drug and Alcohol Dependency; and Children's Services: announced in December 2017;
- Themes 3 & 4: Early Years; and Young People: announced in May 2018; and
- Themes 5 & 6: Older People; and Healthy Lives: announced in September 2018.

Projects not fitting within the above themes were still considered for LCF funding if they proposed an innovative SIB approach.

[2] A SIB is a type of outcomes-based contract whereby 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, provider (usually from the VCSE) and social investor.

Evaluation scope and approach

The programme level evaluation led by ICF is one of three strands of LCF evaluation activity, as set out in the Evaluation Strategy for the Life Chances Fund[3]. This strand is primarily concerned with exploring progress against LCF objectives 1, 2, 5 and 7, and addresses a set of research questions under three themes, to identify what worked well/less well with the implementation of the Fund; investigate whether the Fund is on track to achieve its objectives; and explore the impact of the LCF on the SIB market.

The evaluation comprised a scoping stage followed by two phases of qualitative fieldwork, and the analysis of LCF monitoring data to establish Fund coverage and investment leveraged. The scoping stage and first qualitative fieldwork are set out in the interim report.[4]

This report brings together the analysis of LCF monitoring data with findings from both rounds of qualitative fieldwork, drawing heavily on the second fieldwork phase including case studies of eight launched SIBs and interviews with Fund applicants and national stakeholders. This second phase of fieldwork, planned for spring 2020, was pushed back to July-October 2020 following the advent of the Covid-19 pandemic and associated lockdown. This allowed responses to the pandemic restrictions to be investigated, alongside three fund-level hypotheses proposed by DCMS – namely that the LCF leads to: strong performance management of services; growth in the scale of the social investment market; and more providers with Payment by Results (PbR) experience.

Implementation of the Life Chances Fund

The application process

Applicants to the LCF completed a three-stage application process, comprising:

- Initial **Expressions of Interest** (EoIs) – providing an outline of the intervention and plans for the completion of a full submission (196 EoIs were received, 122 were successful).
- Successful EoI applicants completed of a **Final Application Form**, detailing project aims and objectives; the partners involved; service users and referral pathways; and outcomes and associated payments (109 Final Application Forms received, 51 were successful).
- If successful, an 'in-principle' award offer was made and applicants invited to prepare a **Final Award Set Up Form**, confirming the detail of the financial model and commissioner and investor commitment (51 Final Set Up Forms received, 32 were successful).

Following submission of Final Award Set Up Forms, successful applicants received a Final Award Letter and progressed to launch.

Performance to date

To date 29 LCF projects had launched and three remained 'in the pipeline' to be launched at a later date. The evaluation reviewed LCF performance in terms of the number of SIBs launched, social investment secured, and the value of outcome payments available, using data from the Community Fund LCF database at the end October 2020.

Launched projects

The distribution of the 29 launched projects is summarised by theme in Table 1, including the value of available outcome payments, LCF funding and the social investment by theme[5].

[3] Evaluation Strategy for the Life Chances Fund

[4] ICF (2020) *Life Chances Fund Evaluation Interim Report* DCMS

[5] A comprehensive description of all 29 launched projects is available in Section 2 of the report.

Table 1: Outcome payments, LCF funds committed and social investments by theme[6]

Theme	No. launched	Value of available outcome payments	LCF funds committed	Social investment anticipated
Drugs and alcohol	3	£9,326,486	£3,744,216	£1,282,000
Children's Services	6	£44, 870,658	£8,321,915	£7,528,479
Young People	6	£32,026,224	£10,098,483	£4,726,716
Healthy Lives	10	£26,647,272	£10,450,748	£7,409,000
Early Years	1	£843,000	£252,900	£100,000
Older People	1	£1,612,000	£420,000	£425,000
Innovation	2	£32,485,917	£10,166,000	£5,510,645
Total	**29**	**£147,811,557**	**£43,454,262**[7]	**£26,981,840**

The table shows that across the 29 launched projects:

- The Healthy Lives theme accounts for over one third (10) of all projects launched, while the Older People and Early Years themes accounted for just one project each.
- A total of £147,811,557 was available for **outcome payments**, with £105,357,295 from commissioners levered from an LCF top-up value of £43,454,262. The top-up accounted for between 11% to 45% of outcome payments by project, an overall rate of 29.4%.
- **Social investments** to the value of £26,981,840 were reported – with values ranging between £100,000 and over £4.5 million, and 15 of the 29 launched anticipated investments of £500,000 or less, although four expected investments of over £2 million.

The launched projects varied considerably in the scale of outcome payments available to them and expected numbers of service users. Outcome payments ranged from £620,000 to over £22 million, with 21 of the 29 having available outcome payments of £5 million or below, with expected service users ranging from 10 to almost 9,000 (a total of almost 45,000 users).

The interim report described how lead **investment fund manager (IFM) involvement** was concentrated in two organisations. While Big Issue Invest and Bridges Fund Management accounted for 23 projects and over £24 million of investment, new IFMs have subsequently engaged and account for over £2.8 million of social investment.

[6] NB – the figures in this table are taken from those provided at final set-up, and are subject to change based on final contractual arrangements. They may also change during implementation, due to COVID-19 and/or due to additional LCF funding being committed as part of the LCF Further Allocations process.

[7] Since the writing of this report, the amount committed to LCF projects and administration costs has increased to £62.8m. This includes funding committed to projects through further allocations, £5m to Greater Manchester City Authority as part of their devolution agreement and an additional £3.99m to the Refugees Transitions Outcomes Fund, committed in March 2021 (a cross-government fund helping newly granted refugees in the UK). The overall fund spend of the LCF was reduced to £70m from £80m as part of the DCMS's budget negotiations in September 2020. This does not affect the ability to deliver existing commitments to projects in the Fund.

Pipeline projects and Further Allocation Awards

An additional three projects[8] had received a Final Award Letter but were yet to launch, two under the Healthy Lives theme and one under Children's Services, with a combined outcome value of **£35,342,275** and forecast to engage with **12,118 service users**.

To help maximise LCF spend following project attrition, expressions of interest were sought in June/July 2020 from launched projects to scale up their services. Applications for these **Further Allocation Awards** could be for up to 50% of the original LCF funding award, and at the time of writing 13 submitted applications were awaiting review.

Developing a SIB through the LCF

Experiences of applying to the LCF

Interviewees reported applying to the LCF for a combination of reasons, including where financial pressures/limited funding for early intervention work meant the LCF top-up funding was crucial; to achieve synergies between LCF and local strategic priorities; to realise an existing idea; and where applications were led by individuals keen to get involved in a SIB.

Applicants described applying to the Fund as complex and resource intensive in terms of agreeing outcomes, getting the financial modelling right and securing financial commitment, building and maintaining productive partnerships, getting political approval from elected members, and responding to the requirements of the LCF application process.

Stakeholder engagement and commitment

Applicants reported spending much time relationship building with partners involved in their proposals. Challenges explaining and promoting the SIB idea were described and working with multiple commissioners presented logistical challenges in submitting final applications and during contracting. Securing and maintaining commissioner commitment was particularly difficult for provider applicants and was a key reason for projects not going forward.

Agreeing outcomes

Agreeing outcome measures could be challenging especially where other agencies were delivering services aimed at the same cohort or where there were multiple commissioners, with different priorities, involved in the bid. Contracting against outcomes was experienced as complex by commissioners and could significantly hold up project launch dates. The problem of attribution in the context of multiple interventions contributing to proposed outcomes was also described as challenging. A strong evidence base for the intervention and/or earlier successful pilot facilitated the agreement of outcome measures.

Getting the financial model right and securing investment

Applicants experienced challenges in establishing their financial models, describing the process as complex and time consuming. Where multiple commissioners were involved across local authority areas or different sectors this could be particularly difficult. Challenges were described in terms of the negotiating process itself, agreeing a funding model that made financial sense to all parties in the context of different governance arrangements and timescales, and in designing multi-commissioner payment mechanisms. Provider applicants also described facing problems with commissioners over the level of outcome payments and cost-savings delivered. Both provider and commissioner applicants described spending considerable time determining what the cashable savings might be, and expressed doubts that these would ever be realised.

[8] This was true at the time of writing the report in November 2020. At the time of reviewing the report (January 2021), two of the pipeline projects had withdrawn.

Responding to the requirements of the LCF

Interviewees found the application process complex and confusing, with difficulties including:

- The quantity of information and level of detail required by the LCF, compounded by forms and guidance which did not always make clear what level of detail was required.
- The complexity involved in applying led interviewees to question whether it had been worth the level of resource input involved.
- Applicants reported that the restricted amount of information it was possible to submit on set up forms led to a lot of "back and forth" with the LCF delivery team.
- Applicants commented on what they felt were challenging submission timescales, including: needing more time to amend their model if problems emerged; incompatible CCG/LA commissioning timetables; and slippage of original timescales.

The application process could be experienced as more straightforward where applicants had previous experience of applying to a SIB funding stream.

Experiences of support received

The Development Grant

The development grant was widely considered essential to the LCF application process, and used mainly to commission external consultants to undertake a mix of the following tasks:

- Needs assessments to help define the rationale for the intervention and define outcomes;
- Work to support the business case and financial modelling;
- Stakeholder engagement and supporting the co-production of proposals;
- Project management of the whole proposal design process;
- General advice and guidance on unfamiliar concepts and processes; and
- Helping with communications and presenting the SIB case to key stakeholders.

Applicants were generally pleased with the support received but commented that even with the additional resource afforded by the development grant they had had to expend considerable time and internal resources in developing their SIB. Interviewees noted that while the development grant had been useful, it was spent in the earlier stages of the application, and they would have benefited from further support later on in moving from in-principle offer to Final Set Up. Applicants reported that they would have appreciated the opportunity to use the development grant to free up internal resources as this would have given them greater control over the development process and generated more internal learning than by paying for external consultants.

Support from the LCF programme delivery partnership

Experiences of support received from the LCF programme delivery partnership were generally spoken about in positive terms. Interviewees from later rounds of application were more likely to report receiving support compared to those in the first round, some of whom had received very little or none. Elements of support that interviewees valued included: help with understanding the technical details of SIB development; interpreting guidance; facilitating relationships with partners and explaining how a SIB works; and providing general encouragement and emotional support.

Support from IFMs and intermediaries

Experiences of IFM engagement, support and collaboration in the application process varied between applicants, with IFMs having been actively involved and others having very little or no input. Interviewees highlighted the importance of IFM subject knowledge and experience in developing and delivering SIBs. Support received from IFMs focused on the development of the financial model and providing details for the application process, although successful applicants also reported receiving support at the procurement and contracting stages. IFMs reported that they had played a role in influencing SIB governance arrangements by ensuring that senior decision makers were engaged.

Projects withdrawing from the Fund

Reasons for withdrawal at Final Application or Final Set Up were multiple, involving a complex array of interrelated issues and challenges which could prove insurmountable.

For **provider-led bids**, a reported challenge was moving commissioners from in-principle support to secured financial commitment. Reasons for difficulties included the loss of buy-in due to staff turnover in commissioning authorities and/or lack of senior buy-in; unresolved questions over outcome payments and/or lack of evidence that the project would deliver cashable savings; local authority reluctance to commit to long term funding; and changes in the local or national policy priorities.

Commissioner applicants identified multiple and complex factors that led to the withdrawal of their LCF application, including financial models not being viable; changes in local strategic priorities and/or national policy; problems defining and agreeing outcome measures; and the failure to procure a provider to meet the requirements of the specification.

Successful applications

A series of critical success factors were found in all the SIB case studies, namely:

- A well-defined target group with clear criteria for service;
- Objectives that aligned with easily measurable, binary outcomes;
- An LCF policy theme that resonated with local priorities for intervention or where the theme spoke to a statutory responsibility of the commissioning authority; and
- A financial model that works, and makes participation worthwhile, for commissioners, IFMs and providers with what could be different priorities.

A range of contextual issues also emerged as important to success, including:

- Where there were established strong relationships of trust between commissioners, providers and IFMs/intermediaries;
- Where there was a strong shared vision and rationale for the proposed intervention between commissioners from different sectors or multiple commissioners where involved;
- Where a single local authority acted as a commissioning vehicle for a commissioner consortium;
- Where applicants identified a local need, had a well-considered project or intervention in mind with a strong evidence base, and that met a local commissioning priority;
- Where applicants had previous PbR and/or SIB experience, and/or where there was a strong appetite for trialling a SIB within the commissioning authority. In commissioning authorities, it was important to have senior and executive level support from the outset;
- Where the proposal benefited from strong support and substantial input from an IFM, intermediary or sufficiently knowledgeable consultant.

National stakeholder and IFM reflections on the development process

Stakeholders from the LCF programme delivery partnership acknowledged the complexity inherent in SIB development. This was described as due to a number of factors including the need to build consensus between key partners, win ‘hearts and minds’ and the work involved in needs analysis, outcome definition, financial modelling, procurement and contracting. Interviewees from the LCF programme delivery partnership reported that they had reaped considerable learning with respect to the challenges and complexities involved and the sorts of support that applicants required. This learning was reported to have supported refinements to the administration of the Fund.

Interviewees generally felt that the three-stage application process had worked well although IFMs felt the sequencing of the process, and the overlap between application rounds, had posed challenges. Members of the delivery team were perceived to have worked well together, meeting regularly to discuss the pipeline, and demonstrating a shared ambition and commitment to the success of the Fund. There was also consensus that the support delivered through the Community Fund had improved considerably over the roll out of the LCF due in part to the recruitment of more experienced staff. Key, however, has been the development of an intensive, bespoke support offer to applicants delivered by dedicated support officers on a collaborative basis.

Interviewees identified aspects of the application process that could be improved. These included the application forms which were described as overly complex for applicants, and the degree of guidance given on the level of detail that was required and what information was critical. Stakeholders also reflected that there were technical and financial questions asked at the early stage of application when there was still considerable development work to be done.

A suggestion amongst stakeholders was that there should have been more resources available at the latter stage of the application process, as grants were spent before Final Set Up.

Supporting innovation

Stakeholders suggested that as innovation was not clearly defined in the application guidance, assessing evidence rests on the definition the assessor chooses to apply. If innovation is taken to refer to a new and untested intervention, then interviewees agreed that there were challenges within SIB funding arrangements as delivery risk must be balanced against securing a return. Interviewees preferred a wider definition of innovation against which to judge their proposals, including: an intervention being delivered in a new location; with a new target group; or across a new partnership arrangement.

Supporting partnership and collaboration

Interviewees commented on the Fund’s role in supporting the development of productive partnerships between commissioners, providers, and IFMs. Stakeholders commented that they were seeing different behaviours from commissioners, who were taking a more active role in project design, governance, and performance management.

Early Implementation and the Impact of Covid-19

Experiences of early implementation

Experiences of early implementation focused on eight case study projects, which were in the early stages of delivery at the time of fieldwork and whose attentions has focussed mainly on preparatory activities (such as staff recruitment and induction, refining eligibility criteria and finalising outcome measures), and identifying and recruiting participants.

Projects continuing to work to the outcome measures in their original plans reported that referrals had been swifter than anticipated, and that overall they were happy with the progress made and had met/were on track to achieve their recruitment and engagement outcomes.

Early challenges and changes to delivery and outcomes

Projects experienced challenges during early implementation which had led to changes in their delivery models, outcome triggers and recruitment targets, and agreeing final contracts led to delays in project launches. Projects reported slower than anticipated referral rates and took mitigating actions such as strengthening relationships with referral partners, revising inclusion criteria and extending geographical reach.

The challenge of working across multiple local authorities and multiple stakeholders was also raised, which could also lead to delays in contracting, staff recruitment and establishing performance monitoring systems (due to incompatible IT systems).

Stakeholder perspectives on early implementation and outcomes

Where stakeholders were able to comment, positive overall perceptions were reported in terms of progress to date, although the picture was mixed across the LCF portfolio and the influence and impact of Covid-19 should not be underestimated.

Post-inception problems included referral numbers being over estimated, meaning adjustments to outcome targets were required, and stakeholders commented that fewer early outcomes were being achieved than expected. While still in the early stages of delivery this was less of a worry, with greater concerns being raised for projects where lockdown restrictions meant that they were so far behind with their targets they might never achieve their projected outcomes. Interviewees correspondingly felt that it was too early to say whether projects were delivering more efficiently or effectively as SIBs compared to more traditional grant or fee-for-service funding arrangements.

Governance and Performance Management Arrangements

Project governance arrangements

The eight case study projects reported different governance arrangements, including where structures where developed specifically for the project or where existing approaches had been followed or enhanced. Features across the projects included:

- The involvement of IFMs – from playing a lead role in establishing governance arrangements to attending meetings in an observational capacity;
- The use of tiered governance arrangements and structures – including the formation of project boards and steering groups with an operational and/or strategic focus;
- Frequent formal and informal arrangements for reporting progress and raising issues encountered – including ad hoc telephone catch-ups, and more structured meetings; and
- Monthly or quarterly meetings of project boards/steering groups – to discuss progress at the strategic level, and attended by commissioners, providers and IFMs.

Case study projects followed governance arrangements established prior to the LCF project, including using licensed interventions having to establish specific governance arrangements in addition to the requirements of the commissioner and IFM. Governance arrangements changed following implementation, such as varying the frequency of meetings as a result of the Covid-19 pandemic.

The case study projects overall reported that while governance arrangements were more intensive than their usual approaches, they were felt to be manageable. Benefits had been identified, including issues being raised earlier than they would have otherwise and a view that governance meetings were more collaborative than previously. Early benefits also included examples of experiences and learning being shared within project partnerships to inform service adaptation and the adoption of best practice.

Performance management arrangements

One cited benefit of the SIB approach is the development of new or enhanced performance management arrangements with expertise from IFMs and other stakeholders. These improved performance management arrangements enable providers to better identify and address issues and so drive continuous service improvement.

Performance planning

Establishing appropriate outcomes, metrics and accompanying financial arrangements were key components of the project development process, which although sometimes challenging was recognised as being particularly important under the SIB model. Projects could draw on support from both IFMs and intermediaries, and while levels of involvement varied, they could play a central role in outcome definition and financial modelling, and the development grant was helpful in paying for external support. Where projects were using licensed interventions, the licensing conditions could stipulate specific outcomes and the data to evidence them – but offered benefits such as benchmarking performance against other services.

Performance monitoring

The performance management systems in place in the case study projects were either variations on existing approaches or were developed for the project. Arrangements for reporting achievements and challenges included discussions at monthly or quarterly project steering or Board meetings, and attended by the provider, commissioner and the IFM. Meetings would include presentations of the performance data collected for discussion, and the preparation of action plans for improvement if required. Attentions had focused on early outputs or progress towards outcomes, where full outcomes were yet to be achieved.

A range of data collection tools were described, including those developed specifically, enhanced or tailored for use by the LCF project; the use of tested scales (such as the Strengths and Difficulties Questionnaire) and other existing measures, and the use of proprietary tools such as the Outcomes Star.

Reporting and reviewing performance

Performance information was reviewed at monthly or quarterly project steering group or board meetings, attended by representatives of the project commissioner, provider and IFM. In each case less-formal conversations around performance took place between commissioners and providers more frequently, for example through weekly catch-up calls.

The IFMs interviewed in the case study fieldwork reported that performance review arrangements were robust and brought additional benefits by bringing representatives from the statutory and voluntary sectors together. Providers reported that while preparing the required weekly or monthly performance data could be arduous, particularly where used to quarterly reporting arrangements, they were beginning to experience the benefits, such as having more open and constructive discussions with commissioners. In cases where cohorts were small and outcomes not expected for some time, participant case studies were used in progress reporting to identify achievements and to bring participants' stories to life.

Overall, the case study project providers spoke positively about developing and implementing their performance management arrangements, describing how the benefits have outweighed the additional burdens placed on them, their partners and stakeholders. Providers and their partners recognised that there were additional performance management requirements but reported that the extra burden was worthwhile. They also reported finding meetings to discuss performance were more collaborative and open than in other contracts.

Early and emerging benefits

Although still in the early stages of delivery, the projects described a number of benefits from their performance management approaches, including identifying issues and needing to take decisions around targeting and engagement rates identified in their performance data.

In other cases, improved performance management had enabled delivery teams to problem solve and to think through issues collectively. This included improving how project lead providers work with their delivery partners, not waiting for formal meetings to raise issues, responding to issues more rapidly, and providing more meaningful data to commissioners.

The Impact of Covid-19 on Project Delivery

When it became clear that the Covid-19 pandemic would impact on the ability of LCF funded SIBs to deliver in the ways originally intended and achieve predicted outcome targets the LCF programme delivery partnership designed and offered them three contractual options:

- To continue with outcome payments;
- To move to an activity-payments arrangement based on payment equivalent to the originally modelled median outcomes scenario (outcomes still needed to be recorded but payments depend on a service fee rather than on outcomes); or
- To pause delivery until circumstances allowed delivery to continue or project to launch.

Of the eight case studies three continued with outcomes-based payments while five moved to an activity-payment arrangement. Projects continuing with outcome payments were either confident of achieving referrals and outcomes or investors were willing to take some of the financial risk. Those moving to median-based activity payment arrangements reported that this represented the least risky option and reflected that payments would provide stability through a period of uncertainty while reducing the pressure to deliver in the short term.

Referrals

Interviewees in all case studies agreed that it was important to continue to provide the best possible service to existing clients. In terms of new referrals, projects had either maintained their current caseloads and suspended new referrals; seen a reduction in referral numbers; or maintained the level of referrals or seen referrals increase.

Moving to telephone and online support

All case study projects adapted their delivery so that support was offered either by phone or online. This brought with it various challenges depending on the nature of the service provided, the impact of the pandemic on the wider policy context, the profile of service users and the numbers engaged. For example, they reported that not all their clients had access to online facilities and hence spent time and resources in securing the appropriate equipment on their behalf. Others found it challenging to engage appropriately with their client group and to build relationships over the phone or on online. As lockdown measures were eased, projects restarted limited face-to-face meetings with clients with the greatest need although this may change as new lockdown restrictions come into effect. Projects also found creative ways of delivering aspects of their programmes that cannot be delivered online.

Wider social and policy context

The impact of the pandemic on the wider social and policy context has also had knock on implications for the case study SIBs. Examples include those working to prevent homelessness and those working to employment targets. Interviewees from these case studies speculated on the possibility of having to re-profile outcome targets going forward since the current ones became more difficult to achieve.

Staff support and operational policy

In all case studies delivery teams had moved to remote working with offices closed during lockdown. Projects had moved to online internal and team communication with effective communication recognised as contributing to staff function and wellbeing. Projects demonstrated flexibility in meeting staff needs in relation to childcare and home schooling and other caring responsibilities. They reported needing to amend operational policies in relation to safeguarding in the context of supporting children and vulnerable adults online. Others reported that the move to virtual client support had required some staff re-training as a different skill set is needed when not engaging service users face to face.

Partnerships and support

Providers and commissioners were positive about the support received from the LCF programme delivery partnership during the pandemic and appreciated the flexibility on offer. IFMs also felt that the different stakeholders had been supportive, showing understanding of delays and the need for flexibility, including the need for extended timeframes to reach agreements and formally sign off on changes. Interviewees reported that lockdown had had a positive impact on partnership working, characterised by a desire to collectively address the challenges presented by the crisis.

Looking forward

A key consideration for SIB projects was the potential risks posed by the crisis to future ability to achieve outcomes and hence deliver against the financial model. While projects appreciated the opportunity to flex their contractual arrangements, there remained uncertainties for those who had moved to median-based activity payment arrangements about how they would transition back to payment for outcomes should they be required to. Another question raised regarded the impact of median scenario-based activity payment arrangements on longer term payment for outcomes, and the potential problem of double counting of outcomes for activity delivered while under the former arrangement. The LCF programme delivery partnership reported that they were in the process of working out how to mitigate the impact of revised contractual arrangements by revisiting outcomes and remodelling the financial contribution of the LCF to enable projects to deliver.

Conclusions and Recommendations

To date 29 new SIBs have been launched under the LCF with a further three in the pipeline, with 22 of the 29 being delivered by VCSE providers. Successful SIBs were characterised by strong relationships between commissioners, providers and IFMs, predicated on the basis of a set of objectives aligned with easily measurable, binary outcomes; a well-defined target group with clear eligibility criteria; aligned with commissioners' strategic priorities; and a financial model and contractual arrangement that are amenable to all parties.

Partners in the case study SIBs were generally positive about progress made, with early challenges with referrals and outcome measures generally being resolved quickly. The Covid-19 pandemic has had a major impact on launched, and due to launch, SIBs, with DCMS reacting rapidly to the challenges posed with a flexible contract offer. Projects felt well supported throughout and had adapted their delivery models to pandemic restrictions.

A series of **enablers** were identified across the evaluation, including providing top-up funding for projects that would not otherwise be available; an appetite and enthusiasm for developing an outcomes-based approach; the availability of the development grant; the support provided by the LCF programme delivery partnership; a focus on learning; and the responsiveness of the LCF and SIB projects in the face of Covid-19.

A series of **challenges and barriers** were also experienced. The Fund experienced a relatively high attrition rate, with just 15% of the EoIs submitted resulting in a launched project and £43,454,262 of the original £80 million being allocated to the 29 projects launched so far. While the LCF programme delivery partnership has developed a comprehensive and well-received package of support to applicants, the high attrition rate reflects the complexity and time required to set up a SIB. Challenges facing applicants included securing and maintaining stakeholder engagement; moving from in-principle offers to final set up; defining and agreeing outcomes; determining cashable savings; an application process seen as complex and unwieldy; and high development costs.

The evaluation reviewed **progress towards the achievement of the LCF's key objectives** (objectives 1, 2, 4, 5 and 7), as far as possible at this point in programme implementation:

- **Objective One: To increase the number and scale of SIBs:** by launching 29 projects the LCF has achieved its objective of increasing the number of SIBs in England. These were small to medium size in terms of outcome payments, although some were larger.
- **Objective Two – To make it easier and quicker to set up a SIB:** the inherent complexity of SIBs was reflected in the experiences of Fund applicants and stakeholders, with the support provided and the development grant being viewed favourably by applicants. Applicant and commissioner views varied on whether it was easier and quicker to set up a SIB under the LCF.
- **Objective Four - To increase social innovation and build a clear evidence base for what works:** attentions focussed on innovation in terms of the services delivered, where a tension was found between using wholly new approaches and the need to manage risk. Across the case study projects service innovation fell into the category of 'ideas proven to work elsewhere but being tried for the first time in this area/context or with this target group', and new collaborative approaches between organisations.
- **Objective Five - To increase the amount of capital available to VCSE providers to enable them to compete for public sector contracts:** the Fund successfully attracted VCSE organisations both as lead applicants and as lead providers, with further VCSE involvement in project supply chains. Collectively, over £100 million has been secured in outcome payments for projects led by VCSE providers.
- **Objective Seven - To grow the scale of the social investment market:** the LCF projects had secured over £26 million of social investment, through two IFMs although over time the IFM base has widened. However, there was little evidence at this point that the Fund has had a wider impact in the scale of the market.

Recommendations

Our recommendations focus on key learning for future SIB-based arrangements, and are:

- **Learning from the LCF application process:** for example ensuring that clarity is provided, as far as possible, on the level of detail required at different stages of the process; providing guidance on the level of resourcing and senior commitment required; and including the scrutiny of commissioner commitment in the early application stages.
- **Make additional resources available at the latter stages of SIB development:** as applicants reported exhausting development funding when moving from 'in principle' agreements to final set up, consideration should be given to awarding development funding in separate tranches or requiring funds to be held back for later stages.
- **Staged process:** Realistic timescales should be established for all stages of the application process, and consideration be given to the order in which they should be expected (emphasising the importance of securing a commissioner for provider led bids).

- **Support collaboration and flexibility:** projects should be allowed a degree of flexibility at application and post-inception so they can evolve (within clear parameters and underpinned by evidence-based forecasts of referral numbers and outcomes achieved.
- **To help maximise LCF impact:** identify and effectively communicate the successes of the Fund and the projects that comprise it, to stimulate wider impacts (such as growing the scale of the social investment market) which may lie beyond its direct investments.

1 Introduction

1.1 Overview of the key features of the Life Chances Fund

The Life Chances Fund (LCF or the Fund) was launched as an £80 million 'top-up' outcomes fund designed to support the development of social impact bonds (SIBs) commissioned at the local level. The programme is led by the Department for Digital, Culture, Media & Sport (henceforth DCMS), with implementation managed by The National Lottery Community Fund (henceforth the Community Fund) Programme implementation and applicants to the Fund are supported by consultants at Traverse and academics at the Government Outcomes Lab at the Blavatnik School of Government (henceforth the GO Lab). Collectively DCMS, the Community Fund and GO Lab are referred to as the LCF programme delivery partnership.

The LCF aims to increase the use of SIBs as a tool for outcome-based commissioning[9]. More specifically the LCF was designed to achieve seven objectives:

1) To increase the number and scale of SIBs in England;

2) To make it easier and quicker to set up a SIB;

3) To generate public sector efficiencies by delivering better outcomes and use this to understand how cashable savings are.

4) To increase social innovation and build a clear evidence base for what works;

5) To increase the amount of capital available to voluntary, community and social enterprise (VCSE) sector providers to enable them to compete for public sector contracts;

6) To provide better evidence of the effectiveness of the SIB mechanism and the savings that are being accrued; and

7) To grow the scale of the social investment market.

The LCF is designed to support the development of early intervention initiatives targeted at people who face significant barriers to leading happy and productive lives. The Fund provides top up funding to outcomes-based contracts funded through a social impact bond (SIB). The programme originally aimed to leverage up to a further £320 million in outcomes payments from local commissioners, but this would depend on case-by-case adaptations, thereby creating a potential pot of up to £400mto pay for outcomes achieved.

The Fund was launched in July 2016 and will close in March 2025. Commissioned projects are intended to tackle complex social problems and help those people facing significant barriers to leading happy and productive lives. The Fund has been implemented through three calls for applications across six themes:

- Themes 1 & 2: Drug and alcohol dependency; and Children's Services (announced December 2017);

[9] Outcome-based commissioning focuses on the outcomes achieved by an intervention or service rather than activities and processes

- Themes 3 & 4: Early Years; and Young People (announced May 2018); and
- Themes 5 & 6: Older People; and Healthy Lives (announced September 2018).

Applicants proposing an innovative SIB project that did not directly speak to the above six themes were also considered for LCF funding[10].

Bids were encouraged from commissioners, providers and others including social investment intermediaries[11] and consultants throughout England (with the exception of Greater Manchester where a proportion of LCF funding was devolved). The Fund was open to any public sector commissioner including, for example, local authorities, clinical commissioning groups (CCGs), police and crime commissioners. Applicant or participating organisations did not have to be above a stipulated financial size. With the ambition to enable VCSE providers to better compete for public sector contracts, their involvement was actively encouraged both as lead applicants and through engagement by other lead organisations as potential providers.

Invitations to potential applicants were supported by active outreach to commissioners and the invitation to attend tailored events and webinars developed and delivered by the Community Fund, the GO Lab and DCMS. Applicants were also encouraged and supported to make links with, and learn from, commissioners and providers with previous experience of developing SIB funded projects.

In 2020, due to a relatively high level of attrition among applicants, LCF SIB projects that had received final sign-off from DCMS were invited to apply for additional funding to scale up their existing services. Projects were invited to apply for an uplift of up to 50% of their original LCF funding allocation.

The LCF will operate until March 2025 and while projects may continue for longer, top up funding will not be available beyond this time point.

What is a Social Impact Bond?

Simply put, a social impact bond or SIB is a funding mechanism whereby services are commissioned through an outcomes-based contract with up front funding to services provided by a social investment fund. Payments are made by the commissioners to the investment fund managers (henceforth also IFMs; usually via project special purpose vehicle) based on the achievement of defined and measurable outcomes rather than inputs and activities. Implementing a SIB typically brings together three key stakeholder groups:

- Commissioner - who identifies the need for the service and pays for specified outcomes;
- Service provider - who delivers the service to meet the identified need and supports people to achieve the specified social outcomes; and
- Social investment fund manager (IFM) - who provides the upfront funding to the provider and is paid a return on their investment contingent upon the achievement of the specified outcomes.

[10] The original guidance did not define 'innovative' but suggested that 'Based on previous experience, innovative SIBs are usually smaller and more expensive'. See *Life Chances Fund Guidance Notes* Cabinet Office 2016.

[11] A Social investment finance intermediary (SIFI) is an organisation that provides, facilitates or structures financial investments for social sector organisations and/or provides investment-focussed business support to social sector organisations – please see here.

SIBs are purported to offer a number of benefits over traditional contracting arrangements[12]:

- Enabling the sharing or transference of financial risk from commissioners and providers to social investment funds;
- Delivering better value for money as payment is tied to clearly defined and measurable outcomes;
- Providing better evidence of 'what works', as measurement of outcomes and performance is inherent in the model;
- Encouraging collaboration and pooling partner expertise in the SIB process;
- Promoting innovation in delivery as payment is tied to outcomes rather than a prescribed set of inputs and outputs;
- Supporting the achievement of better social outcomes through enabling innovation and encouraging improved service design; and
- Helping to stabilise funding for providers, in particular VCS organisations

SIBs are not, however without their detractors. Criticisms levelled against SIBs speak to both practical and ethical issues and include[13]:

- SIBs are complex and take a long time to develop – this requires resources and expertise that might not be available and incurs large transaction costs
- Rather than promoting, SIBs stifle innovation as IFMs are more likely to invest in tried and tested approaches to ensure a return on their investment;
- SIBs are open to ideological challenge on the basis that they represent the commercialisation of the public sector and the perception that it is unethical to make a profit from the delivery of services to disadvantaged people.

According to the GO Lab INDIGO Impact Bond dataset, a total of 198 (social) impact bonds have been launched globally[14], of which 39 have completed and 159 are currently active. The **UK is, by some way, responsible for the largest share of SIBs with 88 launched,** compared to the next largest, the USA where 27 have launched[15].

Of the 88 UK SIBs, 29 have completed and 59 are being implemented, including the SIBs supported by the Life Chances Fund. The GO Lab INDIGO dataset shows current and previous UK SIBs are distributed across the following policy areas fields:

- Employment and training (24);
- Child and family welfare (21);
- Homelessness (23);
- Health and wellbeing (13);

[12] See for example: Bridges Ventures (2016) Better Outcomes, Better Value: The Impact of Social Outcomes Bonds in the UK, London: Bridges Ventures LLP. Cabinet Office (2016) Social Investment: a force for social change: 2016 strategy; The GO Lab: Social Impact Bonds: an overview (2018)

[13] See for example Gustafsson-Wright E and Osborne S (2020) *Do the Benefits Outweigh the Costs of Impact Bonds* Global Economy and Development at Brookings

[14] Source: GO Lab INDIGO Impact Bond Dataset V2, 12th October 2020

[15] See also What is the Size and Scope of the Impact Bond Market?, Brookings Institute, 2020, where 69 UK SIBs are cited.

- Education and early years (6); and
- Criminal justice (1).

The first SIB was established in the UK in 2010, and since then central government support has arguably been key to their growth. This has included direct support via earlier funding schemes including the Innovation Fund the Fair Chance Fund, the Social Outcomes Fund and the Commissioning Better Outcomes Fund (the latter funded by The National Lottery). The LCF represents the latest and arguably the most extensively supported government-led initiative designed to grow the scale and reach of SIBs.

1.2 Evaluation approach

ICF were commissioned by DCMS to deliver a programme level evaluation of the LCF. This forms part of a wider portfolio of evaluation work comprising three key strands of activity:

- Strand 1: led by ICF and focused at the programme level. This aims to evaluate the Fund as a tool for growing the SIB market, investigating how the Fund is working in practice from the perspective of national stakeholders, commissioners, providers, and IFMs. It is primarily concerned with exploring progress against objectives 1, 2, 4, 5 and 7 described above. At the request of DCMS the final stage of the evaluation has also included an investigation into the immediate effects of the Covid-19 pandemic on the implementation of launched projects and a focus on the evidence for enhanced performance management processes in organisations delivering an LCF SIB.
- Strand 2: led by the GO Lab (with DCMS support) and focused at the project level. This aims to provide standardised reporting on all projects based on a survey, and to assess the impact, process, and value for money of LCF SIBs and the SIB model compared to alternative commissioning approaches. This Strand is primarily concerned with exploring progress towards objectives 3, 4 and 7 as described above.
- Strand 3: led by SIB funded projects (and supported by the GO Lab) and focused at the local or intervention level. Individual evaluations will vary in approach and focus in line with local priorities. These will contribute towards the evidence base of 'what works' in preventative interventions.

1.2.1 Evaluation aims and objectives

The programme level evaluation aims to identify what has worked well, and less well, in implementing the Fund; the extent to which the LCF is on track to achieve its aims and objectives; and its effect on the SIB market. These broad aims translate into a set of research questions sitting beneath three themes:

- **Identifying what worked well and less well with the implementation of the Fund –** identifying enablers and barriers, what worked well/less well, why some SIBs did not proceed in launching and generating learning for replication and future funding programmes;
- **Investigating whether the Fund is on track to achieve its aims and objectives,** and the impact it has had on the SIB market to date - including whether the Fund is supporting the development of larger SIBs working at scale, increased the amount of capital available to VCSE providers, whether it has become quicker or easier to set-up a SIB, whether the SIBs would have been

developed without the LCF top up funding and what types of innovation are being funded; and

- **The impact of the Fund on the SIB market** – including the number of SIBs funded, LCF investments and commissioner contributions leveraged, and the influence of the Fund on the wider social investment market.

1.2.2 Evaluation methodology

The evaluation comprised a scoping stage followed by two phases of qualitative fieldwork, with the analysis of LCF monitoring data to establish the coverage of the Fund and investment leveraged.

1.2.2.1 Scoping stage

The fieldwork stages of the evaluation follow an earlier scoping phase designed to inform and develop ICFs understanding of the programme, develop a programme level theory of change (ToC) logic model and to refine the evaluation approach. The logic model and a description of the process through which it was designed are set out in appendix 1.

1.2.2.2 Main stage qualitative research

Fieldwork for the evaluation was originally designed to be undertaken in three phases following the timetable of the thematically paired call outs for application. However, in practice the pipeline of projects moving from Expression of Interest (EoI) to launch became staggered over time with projects launching far later than originally anticipated. The evaluation approach was flexed accordingly to follow the logic of Fund implementation and enable case study work to be undertaken. Instead of the original three-staged approach, fieldwork was undertaken in two phases with the first taking place over 12 months between January 2018 and January 2019 with findings presented in an interim report[16]. The second round of fieldwork was planned for spring 2020 allowing time for case study SIBs to become established so that the evaluation could explore emerging evidence of progress against outcomes and any perceived benefits of working under a SIB arrangement. However, with the advent of the Covid-19 pandemic and associated lockdown restrictions this final phase of fieldwork was pushed back, commencing in July 2020, and continuing through to October 2020.

Phase One qualitative research

Fieldwork in the first phase comprised qualitative interviews conducted with:

- 16 applicants to Rounds 1, 2 and 3 whose applications were unsuccessful or who withdrew following the submission of an expression of interest (EoI);
- 8 Round 1 applicants who were successful at the EoI stage but withdrew following the submission of a full application, and three Round 2 applicants who withdrew following submission of full applications; and

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[16] ICF (2020) *Life Chances Fund Evaluation Interim Report* DCMS.

- 6 Programme stakeholders, including representatives of DCMS, the Community Fund, Big Society Capital and Social Finance[17]

Case study fieldwork also took place with three successful Round 1 applicants whose projects were in the early stages of implementation, involving qualitative interviews with commissioners, providers, IFMs and intermediaries. Each case study featured interviews with between four and five individuals.

Phase Two qualitative research

In addition to the wider objectives of the study, the Phase 2 fieldwork also explored three fund-level hypotheses or potential mechanisms which may result in positive change, and so contribute to the achievement of the Fund objectives. Proposed by DCMS, the hypotheses or potential mechanisms of change explored were:

- LCF leads to strong performance management of services in pursuit of outcomes;
- LCF leads to growth in the scale of the social investment market; and
- LCF builds the number and diversity of providers with Payment by Results (PbR) experience.

Each hypothesis/potential mechanism explored is summarised below.

Box 1 Phase 2 fieldwork hypotheses/mechanisms

The three hypotheses or potential mechanisms by which change may be achieved, and which contribute to the achievement of the LCF objectives, are set out below. It is worth noting that the LCF projects launched were in the relatively early stages of delivery, with the majority having between three and four years of their funding period remaining. Consequently, findings represent implementation to date, and it is highly likely that both the visibility and influence of each mechanism will change over time and as practice evolves.

Performance management

Here the hypothesis is that involvement in a SIB/PbR intervention can lead to improved performance management, which we define here as a process with three steps – the initial performance planning including setting up appropriate measurable targets and metrics for the project, monitoring of project performance and finally the review and application of performance information collected to improve the project (see also Section 4.2.2).

There are two areas of influence:

- **Improved performance management as an outcome/objective in itself** – where a shared focus on outcomes between commissioners, providers and IFMs leads to a greater emphasis on effective performance management of the project. Approaches to performance management between SIB partnerships will vary, including who takes the lead role, with organisations with previous SIB or PbR experience being at an advantage due to their familiarity with outcomes-based contracts. In these cases, the Fund offered the opportunity to extend their experiences of outcome-based contracts further.
- **Performance management leading to other objectives** – resulting from a more intensive and effective performance management regime, and improved projects' capacity to use performance data, to drive improvement – by providing a higher degree of focus on existing services and/or facilitating problem solving and service adaptation.

[17] The findings in this report show the range and diversity of views and experiences among those interviewed. However, as this is qualitative research the prevalence of particular views and experiences cannot be estimated.

LCF will lead to growth in the scale of the social investment market

In this case the hypothesis is that the LCF package of top-up funding and support leads to growth in the number of investors investing in SIBs, both directly and through dedicated funds. Motivators for investors to participate in SIBs compared to other investments include the social nature and clear definition of outcomes and the opportunity for learning in different policy areas. Combined, the IFMs' and direct investors' experience of the LCF is intended to encourage IFMs and investors to consider future investment in SIBs.

LCF will build the number and diversity of providers with PbR experience

Here the hypothesis is that a significant number of LCF providers with different characteristics, sizes and sectoral composition will be delivering PbR for the first time, so the LCF provides an opportunity for learning by participation. At the same time, providers will have previous experience of PbR (including SIB) contracts, so may benefit from building their experience of such regimes.

Alongside this, the social investment SIB model enables the participation of providers of different sizes/sectors, who would not have been able or might not have chosen to do so in its absence – with experiences of participation in LCF and the leaning resulting encouraging providers to bid for/develop future SIB/PbR contracts.

These hypotheses were explored during Phase 2 through the case studies, and interviews with projects not taken forward, stakeholders and IFMs.

Fieldwork was undertaken by telephone or on-line, and in this phase comprised:

- Ten qualitative interviews with **applicants** who, having been successful at the final application stage and receiving an award letter **withdrew from the process and did not progress their applications further**. The applicants were selected from the Community Fund records and included all Round 2 and 3 applicants meeting the criteria (13). The interviews took place between July and August 2020 and lasted for approximately one hour.
- Twelve interviews with **programme stakeholders**. The sample was purposive, agreed with DCMS and included representatives from DCMS, the GO Lab, Big Society Capital, the Community Fund along with four IFMs involved in the Fund. The interviews took place between August and November 2020, were undertaken by telephone and lasted for approximately one hour.
- Interviews with three **IFMs previously investing in SIBs but not involved in any LCF SIBs**, to explore their reasons for non-participation. A sample of five organisations was prepared, although one was found to have made an investment in an LCF project and one withdrew from the interview.

Table 1.1 summarises the distribution of qualitative interviews across both phases of the study. Interviews were recorded, written up thematically, and a framework analysis approach used to triangulate findings - providing a systematic approach to identifying themes, differences, and inter-relationships, and drawing conclusions around key areas of interest.

Table 1.1 Summary of qualitative interviews undertaken across Phases 1 & 2

Interviewee Group	Fieldwork phase	Number of interviews	Total
Applicants unsuccessful at EoI (Rounds 1-3)	Phase 1	16	16
Applicants withdrawing at Final Application / Final Set Up (Rounds 1-3)	Phase 1 Phase 2	11 10	21

Interviewee Group	Fieldwork phase	Number of interviews	Total
Applicants with an in-principle offer who had completed a Final Set Up Form	Phase 1	24	24
Sector experts/national stakeholders	Phase 1 Phase 2	9 12	21
IFMs not investing in the Fund	Phase 2	3	3

- In addition, the Phase 2 fieldwork also included **eight case studies of Round 1 to 3 projects who had successfully launched** and delivering services for at least eight months. The case studies involved interviews with commissioners, providers, IFMs and, where appropriate, intermediaries in each case. Sampling was purposive to provide information rich data on nascent SIB delivery. Projects considered for inclusion had all launched at least eight months prior to the case study fieldwork, so allowing time to embed their service delivery models and performance management processes. At the point of sampling a total of 16 LCF projects had launched, and the final sample was developed to ensure coverage by policy theme, although this was not entirely possible given the small number of projects launched under the Older People and Early Years headings. The case study fieldwork took place between July and October 2020, and featured telephone interviews of one-hour duration with between three and five individuals per project. Details of the case studies projects in both Phase 1 and Phase 2 of the study are shown in Table 1.2 below.

Table 1.2 Phase 2 Case study projects

Case study	Bid leader	Round	Interviews
Case Study 1	Commissioner	Round 1	IFM (2), Commissioner, Provider
Case Study 2	Provider	Round 2	IFM, Commissioner, Providers (2)
Case Study 3	Commissioner	Round 3	IFM, Commissioner, Providers (3)
Case Study 4	Intermediary	Round 3	IFM, Commissioner, Intermediary, Provider
Case Study 5	Provider	Round 2	IFM, Commissioner, Provider
Case Study 6	Commissioner	Round 3	IFM, Commissioner, Provider
Case Study 7	Provider	Round 3	IFM, Commissioner (2), Provider (2)
Case Study 8	Provider	Round 2	IFM, Commissioner, Provider (2)

1.2.2.3 Analysis of monitoring data

In addition to the research interviews described above, LCF monitoring data was reviewed throughout the evaluation to describe the distribution of the Fund, characteristics of successful (and unsuccessful) applications, and track progress to launch. This data, and additional data including individual applications, final awards and other administrative data, was analysed to establish the number of successful launches, their characteristics and the value of funding leveraged, in the interim and final reports. The data was also used for sampling purposes.

1.2.3 Limitations of the evaluation

Given the protracted timetable for projects to launch, the evaluation has had to demonstrate a high degree of flexibility and adapt fieldwork and reporting timetables to allow experiences of early implementation to be explored in depth. Given that the case study projects were in the first 12-18 months of delivery at the time of interview, and experienced a considerable degree of disruption due to the Covid-19 pandemic, the evaluation has been limited in its ability to comment on the achievement of medium and longer term outcomes and is unable to provide summative insights. Exploring project impacts and the influence of the SIB funding model on the achievement of these sits within the remit of the evaluation conducted by the GO Lab (and to a lesser extent the local evaluations) and so evidence with respect to these will be available at a later date.

An additional issue which was a limitation of the evaluation, in the early stages at least, was the availability of information on projects' progress through the application stages. Alongside the concerns of Community Fund support staff that participation in the evaluation could distract projects' attentions from developing their project ideas, a high degree of flexibility was required in scheduling the interviews with successful and unsuccessful applicants in each round.

1.3 Structure of the report

The remainder of this report is structured as follows:

- Section two provides an overview of the key features of the LCF including the application and appraisal processes and support offered. It then presents an analysis of Fund performance to date;
- Section three presents an exploration of applicants' experiences of applying to the Fund, reasons for withdrawal, and the support they received. The section also reviews stakeholder perspectives on the application process;
- Section four focuses on the eight Phase 2 case studies, reporting on early progress and their systems and processes for performance management;
- Section five explores the impact of the Covid-19 pandemic on the delivery of the eight case study SIBs; and
- Section six sets out the evaluation's conclusions and recommendations.

The report also includes an annex, which provides the logic model produced during the scoping stage and accompanying text.

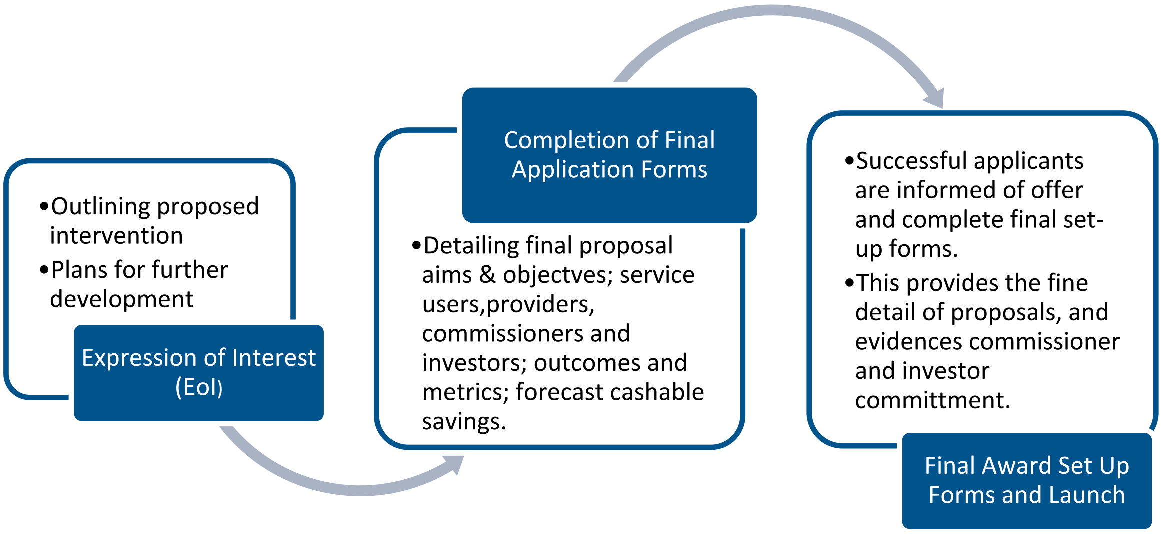
2 Implementation of the Life Chances Fund

This section begins with an overview of the application and appraisal processes and support offered to applicants from DCMS and the Community Fund. It then presents an analysis of Fund performance using Community Fund monitoring data to report on the characteristics of each project which successfully launched. It closes with a review of final offer letters and set-up forms, and insights from both the projects and key Fund stakeholders (Fund administrators, IFMs, and others) gained throughout the study.

2.1 The application process

Applicants to the LCF were required to complete a three-stage process to secure funding for their proposed project, as summarised in Figure 2.1.

Figure 2.1 Summary of application process



First, **Expressions of Interest** (EoIs) were submitted, providing an outline of the proposed intervention with details of further development work to be undertaken to produce a full submission. If successful, applicants progressed to a second stage involving the completion of a **Final Application Form**, providing detail on the project aims and objectives; the providers, commissioners, intermediaries and IFMs involved; nature of service users and referral pathways; how outcomes would be measured and their associated payments; the cashable savings expected; and details of a proposed evaluation strategy. If successful here an 'in-principle' award offer was made and applicants invited to prepare a **Final Award Set Up form**, to confirm and clarify the final detail of the financial model and demonstrate commissioner and investment commitment.

In recognition of the complexity in developing a SIB, applicants successful at the EoI stage could apply for a **development grant** to fund specialist support for the technical aspects of their full applications. This was augmented by free on-going support and guidance from the Community Fund, the GO Lab, DCMS and Traverse (collectively referred to hereafter as the LCF programme delivery partnership).

The LCF programme delivery partnership held regular meetings to review project applications, determine what support was needed for each, and agree who was best placed to provide it. Applicants were allocated a support officer at the Community Fund, who was their main point of contact with the delivery partnership. The support officer role was tailored to the needs of the applicant, but typically involved liaison between the key commissioning, delivery and funding partners involved in the proposed SIB, support in completing application forms, and more generally providing encouragement and maintaining morale throughout the process. The LCF programme delivery partnership continues to meet regularly to decide the profile of support requirements for launched and approved projects.

2.2 The performance of the LCF

This section reviews the performance of the LCF in terms of the number and characteristics of the SIBs successfully launched; the level of social investment secured; and value of outcome payments available to them. Projects 'in the pipeline' and yet to launch at the time this report was prepared (end October 2020) are also included, to provide a comprehensive picture of LCF and commissioner commitments at the time of writing. The review also considers, drawing on the case studies, the share of commissioners and providers where the LCF was their first experience of working under PbR, or if they had existing experience.

First this section briefly reviews the number and distribution of applications received at each of the stages outlined above.

2.2.1 Expressions of interest, applications, and final awards

The number of submissions received across the three rounds of applications, and their distribution by stage of the application process, is as follows:

- Expressions of interest – 196 submissions were received across all three application rounds, of which 122 were successful (others unsuccessful or withdrawn);
- Full applications – 109 submissions were received, of which 51 were successful (others unsuccessful or withdrawn);
- Full Award Set up forms – 51 submissions were received, of which 32 were successful (others unsuccessful or withdrawn); and
- Final award letters received, and projects launched – 29 (with another three projects awaiting launch at a later date.

Experiences of the application and award process are explored in more detail in Section 3.

2.2.2 Projects launched

At the end of October 2020, a total of **29 LCF projects had launched**, with a further three in the pipeline and expected to launch over the coming months. This represents a considerable increase from the time of writing the interim report in March 2019, when just six had launched, and in part reflects the scheduling of the different calls for projects.

2.2.2.1 Distribution of launched projects, outcome payments and social investment anticipated by theme

Table 2.1 provides the distribution of the 29 launched projects by theme and shows that the Healthy Lives theme accounts for over one third (10) of those launched to date. At the other extreme, the Older People and Early Years themes accounted for just one project each.

Table 2.1 Outcome payments, LCF funds committed and social investments by theme[18]

Theme	No. launched	Value of available outcome payments	LCF funds committed	Social investment anticipated
Drugs and alcohol	3	£9,326,486	£3,744,216	£1,282,000
Children's Services	6	£44, 870,658	£8,321,915	£7,528,479
Young People	6	£32,026,224	£10,098,483	£4,726,716
Healthy Lives	10	£26,647,272	£10,450,748	£7,409,000
Early Years	1	£843,000	£252,900	£100,000
Older People	1	£1,612,000	£420,000	£425,000
Innovation	2	£32,485,917	£10,166,000	£5,510,645
Total	**29**	**£147,811,557**	**£43,454,262**[19]	**£26,981,840**

The table also presents the allocation of available outcome payments, LCF top-up funds and social investment committed to the launched projects by theme to date. Across all 29 launched projects, a total of **£147,811,557 is available for outcome payments**, levered from an **LCF top-up value of £43,454,262**. Social investments to the value of **£26,981,840** were also secured.

Key characteristics of the 29 launched projects are shown in Table 2.2 below, drawing upon data from the Community Fund LCF database, updates from Community Fund colleagues, and the review of project application and award documentation.

[18] NB – the figures in this table are taken from those provided at final set-up, and are subject to change based on final contractual arrangements

[19] Since the writing of this report, the amount committed to LCF projects and administration costs has increased to £62.8m. This includes funding committed to projects through further allocations, £5m to Greater Manchester City Authority as part of their devolution agreement and an additional £3.99m to the Refugees Transitions Outcomes Fund, committed in March 2021 (a cross-government fund helping newly granted refugees in the UK). The overall fund spend of the LCF was reduced to £70m from £80m as part of the DCMS's budget negotiations in September 2020. This does not affect the ability to deliver existing commitments to projects in the Fund.

Table 2.2 Summary overview of successful LCF applications

Theme	Round	Project Name	Launch and End Date	Expected Participant Numbers	Lead Applicant	Lead Commissioner	Lead Provider	Lead IFM	Outcome payments: Total	Outcome payments: Source: Commissioner (C) and LCF
Drugs & Alcohol	1	Intensive family support services	01/04/2018 - 30/09/2024	370	Staffordshire County Council	Staffordshire County Council	Was ADS, now HumanKind	Big Issue Invest	£4,725,000	C: £2,835,000 (60%) LCF: £1,890,000 (40%)
Children's Services	1	Fostering Better Outcomes for Children	20/06/2018 - 20/06/2024	30	Cheshire West & Chester Council	Cheshire West & Chester Council	Core Assets	Bridges Fund Management	£4,362,000	C: £3,423,000 (78.5%) LCF: £939,000 (21.5%)
Young People	2	FutureImpact	01/08/2018 - 01/08/2023	1,000	Futures Advice	Nottingham City Council (& Notts County Council)	Futures Advice	SASC	£2,547,600	C: £1,655,940 (65%) LCF: £891,660 (35%)
Young People	2	DFN MoveForward	01/09/2018 - 31/08/2023	358	ThinkForward UK	DFN Foundation	Think Forward UK	Big Issue Invest	£1,683,620	C: £1,000,000 (59%) LCF: £683,620 (41%)
Drugs & Alcohol	1	Cornwall Frequent Attenders	01/11/2018 - 31/12/2023	705	We Are With You	Cornwall County Council	We Are With You	Big Issue Invest	£2,226,336	C: £1,447,120 (65%) LCF: £779,216 (35%)
Children's Services	1	Outcomes Based Contract for Children at Risk of Care	13/01/2019 - 31/12/2024	288	Suffolk County Council	Suffolk County Council	Family Psychology Mutual	Bridges Fund Management	£3,703,706	C: £3,281,306 (89%) LCF: £422,400 (11%)
Drugs & Alcohol	1	IPS Employment Support for people with drug/alcohol addictions	01/01/2019 - 30/06/2022	1,714	West London Alliance	London Borough of Ealing	WDP	Big Issue Invest	£2,375,150	C: £1,300,150 (55%) LCF: £1,075,000 (45%)
Young People	2	Big Picture Learning in Doncaster	01/01/2019 - 31/08/2024	220	Doncaster MBC	Doncaster MBC	Big Picture Doncaster	Big Issue Invest	£6,310,001	C: £4,514,191 (71%) LCF: £1,795,810 (29%)

									Outcome payments	
Theme	Round	Project Name	Launch and End Date	Expected Participant Numbers	Lead Applicant	Lead Commissioner	Lead Provider	Lead IFM	Total	Source: Commissioner (C) and LCF
Children's Services	2	Stronger Families Norfolk	05/02/2019 - 29/02/2024	400	Norfolk County Council	Norfolk County Council	Family Psychology Mutual	Bridges Fund Management	£8,949,569	C: £7,711,057 (85%) LCF: £1,238,512 (15%)
Healthy Lives	3	Reducing the prevalence of mothers experiencing recurrent care proceedings	01/04/2019 - 30/09/2024	48	Plymouth City Council	Plymouth City Council	Trevi House	Bridges Fund Management	£1,327,010	C: £790,200 (60%) LCF: £536,810 (40%)
Healthy Lives	3	Mental Health & Employment Services	01/05/2019 - 01/04/2023	985	MHEP	Haringey and Barnet Councils	Twinings	Big Issue Invest	£1,421,234	C: £824,316 (58%) LCF: £596,918 (42%)
Early Years	2	ParentChild+	01/06/2019 - 01/05/2023	150	Royal Borough of Kensington & Chelsea	Royal Borough of Kensington & Chelsea and Westminster	Family Lives	CAF Venturesome	£843,000	C: £590,100 (70%) LCF: £252,900 (30%)
Innovation	3	Single Homelessness Prevention Service	22/07/2019 - 30/09/2024	8,937	Pan London Single Homelessness Prevention Service	Islington Borough Council	Pan London Single Homelessness Prevention Service	Bridges Fund Management	£10,188,000	C: £6,622,000 (65%) LCF: £3,566,000 (35%)
Healthy Lives	3	Midlands Regional Pause Hub	03/02/2020 - 31/03/2025	156	Pause for Change Ltd (was Ripplez)	Derbyshire County Council	Ripplez CIC	Bridges Fund Management	£4,993,615	C: £2,996,169 (60%) LCF: £1,997,446 (40%)
Young People	3	West London Zone, place-based support for children & young people: scale-up	27/08/2019 - 31/07/2024	2,240	West London Zone	Brent Council	West London Zone	Bridges Fund Management	£14,445,692	C: £10,197,610 (71%) LCF: £4,248,082 (29%)

									Outcome payments	
Theme	Round	Project Name	Launch and End Date	Expected Participant Numbers	Lead Applicant	Lead Commissioner	Lead Provider	Lead IFM	Total	Source: Commissioner (C) and LCF
Older People	3	Hounslow Enhanced Dementia Care Service	01/08/2019 - 31/09/2025	600	LB of Hounslow	LB of Hounslow	Alzheimer's Society	Care and Wellbeing Fund	£1,612,000	C: £1,192,000 (74%) LCF: £420,000 (26%, 30% as ends after LCF)
Innovation	3	Kirklees Integrated Support Services	02/09/2019 - 30/09/2024	6,300	Kirklees Council	Kirklees Council	Kirklees Better Outcomes Partnership	Bridges Fund Management	£22,297,917	C: £15,697,917 (70%) LCF: £6,600,000 (30%)
Healthy Lives	2	Promoting Independence	20/11/2019 - 30/09/2024	113	Sheffield City Council	Sheffield City Council	South Yorkshire Housing	Big Issue Invest	£3,000,000	C: £2,250,000 (72%) LCF: £750,000 (28%)
Healthy Lives	3	Opening Doors	01/11/2019 - 31/10/2024	194	Bexley Council	Bexley Council	Cromwood Housing	Big Issue Invest	£1,700,822	C: £1,326,822 (78%) LCF: £374,000 (22%)
Healthy Lives	3	MHEP Tower Hamlets Mental Health	01/04/2020 - 01/04/2024	3,644	MHEP	Tower Hamlets Council	Working Well Trust	Big Issue Invest	£2,068,270	C: £1,199,304 (58%) LCF: £868,966 (42%)
Healthy Lives	3	MHEP Enfield	01/04/2020 - 01/04/2024	674	MHEP	Enfield Council	Working Well Trust	Big Issue Invest	£620,689	C: £360,000 (58%) LCF: £260,689 (42%)
Healthy Lives	3	MHEP Shropshire	01/04/2020 - 01/04/2024	582	MHEP	Shropshire Council	Enable Employment Services	Big Issue Invest	£1,034,484	C: £600,000 (58%) LCF: £434,484 (42%)
Children's Services	1	Pyramid Project - Step down from Residential Care Provision	01/04/2020 – 30/01/2026	92	Staffordshire County Council	Staffs and Worcestershire County Councils, Wolverhampton City, Dudley, and Telford & Wrekin Councils	National Fostering Agency	Big Issue Invest	£14,441,780	C: £12,053,188 (83%) LCF: £2,388,592 (17%)

Theme	Round	Project Name	Launch and End Date	Expected Participant Numbers	Lead Applicant	Lead Commissioner	Lead Provider	Lead IFM	Outcome payments: Total	Outcome payments: Source: Commissioner (C) and LCF
Healthy Lives	3	MHEP Tower Hamlets Learning Disabilities	01/07/2020 - 30/09/2023	411	MHEP	Tower Hamlets Council	The Tower Project Job Enterprise and Training Services	Big Issue Invest	£1,307,059	C: £758,094 (58%) LCF: £548,965 (42%)
Young People	1	The Skill Mill	03/08/2020 - 30/11/2024	224	The Skill Mill Partnership Ltd	Leeds City Council	Skill Mill	Big Issue Invest, NorthStar Ventures, Resonance, CAF Venturesome	£2,868,111	C: £1,612,800 (56%) LCF: £1,255,311 (44%)
Healthy Lives	3	A Norfolk SIB for Carers	01/09/2020 – 01/10/2025	7,285	Norfolk County Council	Norfolk County Council	Various – no lead	Bridges Fund Management	£9,174,090	C: £5,091,620 (56%) LCF: £4,082,470 (44%)
Children's Services	2	Positive Behavioural Support (PBS)	05/10/2020 – 30/06/2029	10	Gloucestershire County Council	Gloucestershire County Council	Affinity Trust	SASC	£1,774,925	C: £1,436,925 (81%) LCF: £338,000 (19%)
Young People	3	Chances	07/09/2020 – 31/12/2023	6,720	Substance 2005	Coventry City Council	Various - no lead	Big Issue Invest	£4,104,000	C: £2,880,000 (70%) LCF: £1,224,000 (30%)
Children's Services	1	DN2 Children's Services SIB	01/10/20 – 30/09/2025	423	Notts. County Council	Notts. County Council	Core Assets	Nottingham Futures	£11,638,678	C: £8,643,267 (74%) LCF: £2,995,411 (26%)
Total				**44,873**					**£147,811,557**	**C: £104,366,978 LCF: £43,454,262**

LCF database extracted 14 October 2020

As Table 2.2 shows, the individual LCF projects launched vary considerably in terms of scale – both in terms of the value of outcome payments available to them and the numbers of individuals expected to receive services from them. In terms of the **total outcome payments** available, the projects range between £620,000 and over £22 million, with an average of just over £5 million. Figure 2.3 shows the distribution of the launched projects by outcome value, with the majority (21 of the 29) having available outcome payments of £5 million or less; three between £5 and 10 million; four between £10 and 15 million, and one at over £20 million.

Figure 2.2 Distribution of launched projects by total outcome value

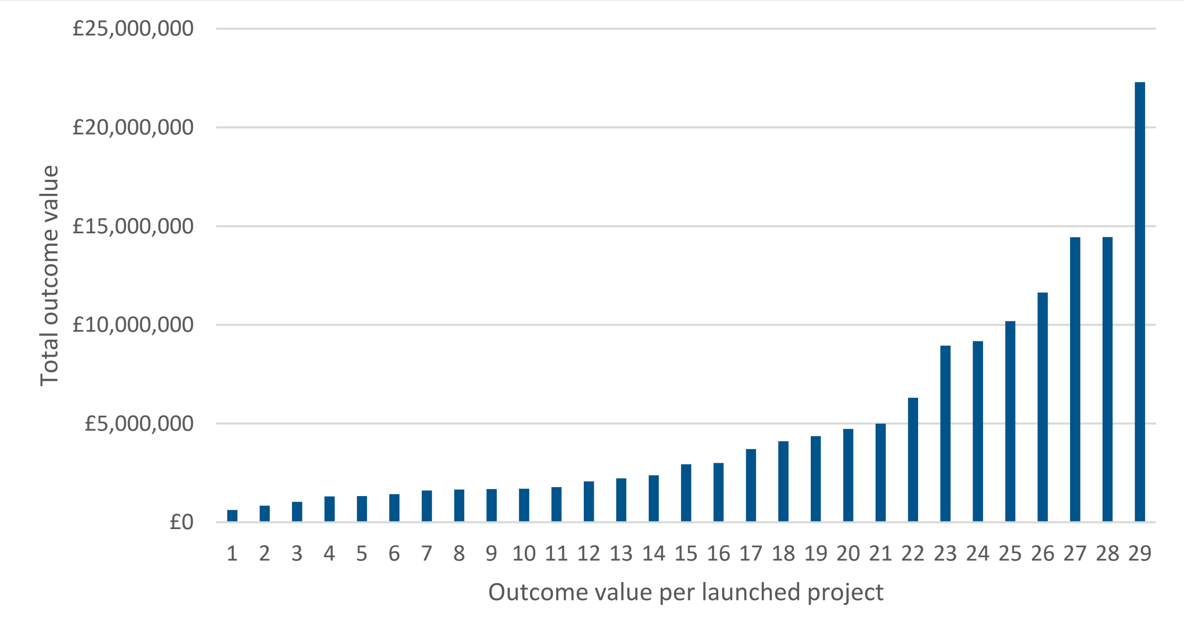


Table 2.3 shows the distribution of available outcome payments by theme and shows that outcome values were commonly £5 million or less across each of the themes, with the larger values being found in the Children's Services, Young People and Healthy Lives themes.

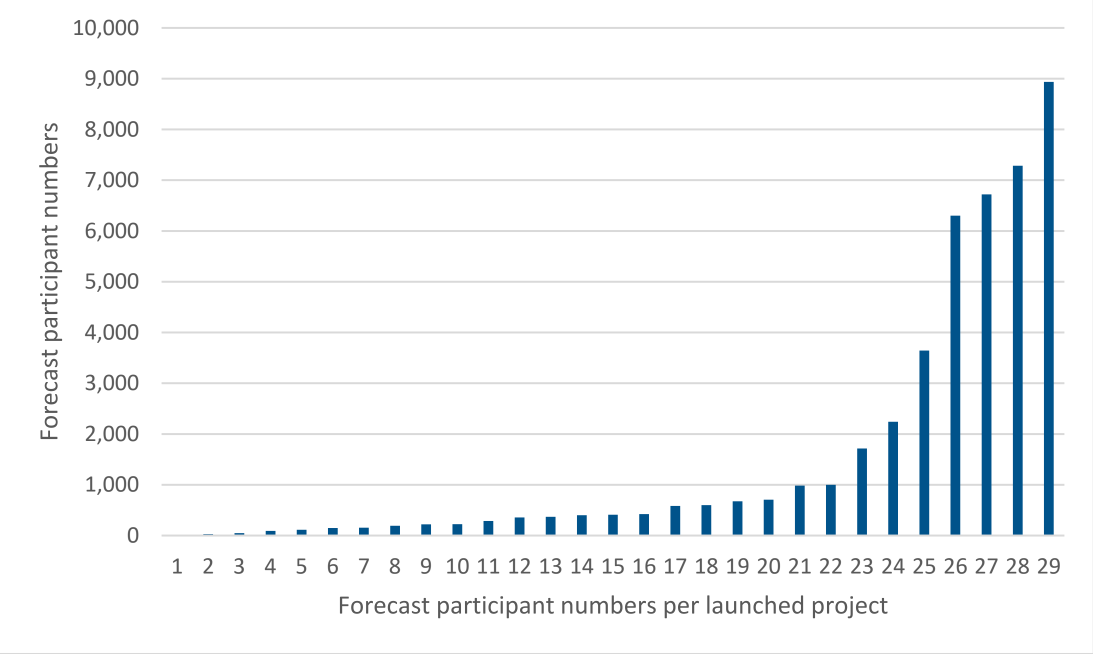
Table 2.3 Distribution of outcome values by theme

			Available outcome payments				
Theme	Range	Average	£5m or less	£5-10m	£10-15m	£15-20m	Over £20m
Drugs and alcohol	£2.2m to £4.7m	£3.1m	3	--	--	--	--
Children's Services	£1.7m to £14.4m	£7.5 m	3	1	2	--	--
Young People	£1.6m to £14.4m	£5.2m	4	1	1	--	--
Healthy Lives	£620K to £9.1m	£2.6m	9	1	--	--	--
Early Years	£843K	N/A	1	--	--	--	--
Older People	£1.6m	N/A	1	--	--	--	--
Innovation	£10.2m to £22.3m	£16.2m	--	--	1	--	1

This variation is reflected in the **forecast participant numbers** in each case. A total of **44,873 individuals are expected to receive services** across the SIBs launched to date, with projects ranging from 10 participants in a Children's Services project providing intensive support to children at risk, to almost 9,000 participants in a service to target homelessness.

Figure 2.3 below shows the distribution of launched projects by forecast participant numbers. The majority (16) forecast fewer than 500 participants, however, four projects forecast fewer than 100, reflecting the varied levels of participant need and intensity of the interventions proposed. At the other extreme seven projects forecast over 1,000 individuals, and this includes four over 6,000.

Figure 2.3 Distribution of launched projects by forecast participant numbers



The distribution of forecast participants by theme is shown in Table 2.4. While little can be said for the themes with a single project, the Children's Services theme tended to be concentrated in the lower participant size bands (all 500 participants or lower), while projects in the Drugs and Alcohol, Young People and Healthy Lives themes tended to be more broadly dispersed. The two Innovation projects were at the higher end of the forecasts, both with over 6,000 participants.

Table 2.4 Distribution of forecast participants by theme

			Forecast participants numbers				
Theme	**Range**	**Average**	**<100**	**100-500**	**500-999**	**1,000-5,000**	**Over 5,000**
Drugs and alcohol	370 to 1,714	930	--	1	1	1	--
Children's Services	10 to 423	207	3	3	--	--	--
Young People	220 to 6,720	1,794	--	3	--	2	1
Healthy Lives	48 to 7,285	1,409	1	4	3	1	1
Early Years	150	N/A	--	1	--	--	--
Older People	600	N/A	--	--	1	--	--
Innovation	6,300 to 8,937	7,619	--	--	--	--	2

There are many factors which will influence expected participant numbers, including the numbers of potential service users in the projects' target areas, the nature and level of their needs, the intervention models proposed, intended duration and available financial resources. However, the wide distribution of projects by intended participant numbers further illustrates the variety of activity supported by the Fund and the extent to which activities have been tailored to local circumstances.

2.2.2.2 Available outcome payments by source

As section 3.1 describes, the LCF contribution to outcome payments was key in stimulating interest from potential applicants and in enabling project ideas to be taken forward – indeed research participants reported that their projects would not have been considered without it. Of the £147,811,557 outcome payments secured by the 29 projects launched to date, **£43,454,262 was sourced from the LCF top-up** with the remaining **£105,357,295 from local commissioners** (an overall top-up rate of **29.4%**).

The LCF contribution to individual project outcome payments varies between **11% and 45%**, in accordance with the guidance for applicants which allowed awards of up to 49% of total outcome payments. Table 2.5 shows the LCF contribution to total available outcome payments by theme.

Table 2.5 LCF contribution to total outcome payments

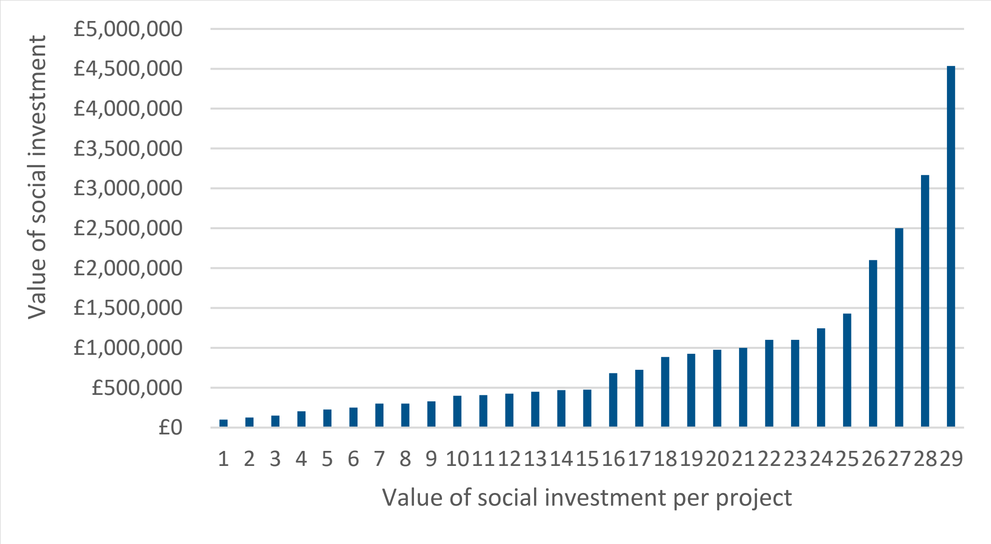
Theme	No. projects	LCF share of total outcome payments	Average
Drugs and alcohol	3	35% to 45%	40%
Children's Services	6	11% to 26%	19%
Young People	6	28.5% to 43%	34.5%
Healthy Lives	10	22% to 44%	38%
Early Years	1	30%	--
Older People	1	26%	--
Innovation	2	30 to 35%	33%

The table shows that projects under the Children's Services theme tended to receive a lower proportion of their outcome payments from the LCF; this accounts for the fact that children's social care budgets sit with local authorities, where savings resulting from successful SIB delivery will be retained, as opposed to going to central government, for which LCF contributions acted as a proxy.

2.2.2.3 Social investment secured and IFM involvement

Across the launched projects, set-up papers indicate that social investment of **£26,981,840** was anticipated for start-up purposes, with investment in each project ranging from £100,000 to over £4.5 million, with an average value of £930,000. Figure 2.5 shows the value of social investment anticipated by each of the launched projects.

Figure 2.4 Value of social investment by project



As the figure shows, the launched projects tended to anticipate social investments of less than £500,000 (15), with six securing between £500,000 and £1 million. Four projects secured investments of more than £2 million to allow for longer lead times before outcome payments are expected.

Social investment anticipated represented 20% or less of the projects' total outcome values (17 cases), and between 20% and 35% in 10 cases. In two projects the social investment proportion was much higher, representing more than 80% of the respective projects' total outcome values. In both cases the higher shares were to account for particularly lengthy lead times before outcomes could be recognised.

2.2.2.4 IFM involvement

The interim report described how the lead IFMs in the launched projects were concentrated in in three organisations – Big Issue Invest, Bridges Fund Management and Social and Sustainable Capital (SASC). Table 2.5 shows the lead IFMs across the 29 launched projects and the value of investments made, although it should be noted that these figures may include contributions from other investors.

Table 2.6 IFMs and value of investment

IFM	No. of projects invested	Total value of investments anticipated
Big Issue Invest	14	£6,964,278
Bridges Fund Management	9	£17,207,731
SASC	2	£400,000
CAF Venturesome	1	£100,000
Nottingham Futures	1	£884,831
Care and Wellbeing Fund	1	£425,000
Big Issue Invest, NorthStar Ventures, Resonance, CAF Venturesome	1	£1,000,000
Total	**29**	**£26,981,840**

Big Issue Invest and Bridges Fund Management[20] accounted for 23 of the launched projects and over £24 million of investment (representing 90% of the total, anticipated social investment). However, new IFMs have engaged since the interim report – namely CAF Venturesome, NorthStar Ventures, Resonance, Nottingham Futures and the Care and Wellbeing Fund – who with SASC account for seven of the launched projects and over £2.8 million of social investment.

2.2.2.5 Lead applicants and providers

While the vast majority of commissioners were local authorities or groups of authorities (28 of 29), lead applicants and providers were distributed more widely by sector.

The majority of **lead applicants** amongst the launched projects were either local authorities (15) or local authority groups/public sector partnership bodies. Five applications were led by VCSE organisations, five from an intermediary led partnership, and the remaining two being private sector providers. As Section 3.2.1 describes, applicants from the VCSE sectors faced particular challenges in preparing successful applications, which might account for their limited lead roles.

Conversely, the **lead providers** were from the VCSE sector, with 22 of the 29 projects being led by a VCSE provider (20) or association/network of providers (two cases). In seven cases the lead provider were private sector bodies, including one which comprises a group of fostering organisations across the UK.

The case study fieldwork, interviews with LCF applicants at different points and the analysis of DCMS' provider database and GO Lab's project database allowed **previous experiences of working under PbR and SIB arrangements** to be explored. While applicants and providers were able to draw upon previous experience, particularly of PbR regimes, it was clear that for others the LCF provided their first experiences of working under PbR or SIB arrangements.

Lead providers in over half (15 of 29) of the launched projects reported having previous experience of working under PbR contracts, with no apparent patterns in terms of sector, size or thematic area between those with previous experience and those without. **Fewer (9 of 29) reported being previously involved in a SIB**, again with no discernible patterns between organisations with previous SIB experience and those for whom the experience was new.

Previous involvement in PbR and/or SIB contracts was less easily discernible amongst **lead applicants** – although the vast majority (27 of 29) appeared to have previous experience of designing, implementing, or working under PbR regimes, and 22 appeared to have previous experience of SIBs (as commissioner, stakeholder, or provider), held either by the individuals involved in the projects or within their organisations. While organisations without PbR experience were exclusively providers, those without previous SIB experience were a combination of local authorities and providers. A similar picture emerged for the **commissioners** of the launched SIBs – 23 appear to have had previous experience of PbR regimes and 19 of SIB projects.

This shows that the LCF objective of extending participation in both outcomes-based contracts/PbR regimes and SIB arrangements has been achieved amongst projects

[20] To note: Bridges Outcomes Partnerships lists 18 social investors, who have invested capital into their dedicated funds, which benefit their SIB portfolio.

launched to date, particularly amongst lead providers. There has also been the opportunity for those with previous experience in both areas to extend their experience further. While application leads and commissioners were more familiar with both PbR contracts and SIB arrangements this is not surprising given their previous experience, and research participants referred to previous experiences particularly of developing a SIB as being key in their decision to engage with the LCF. The extent to which provider experiences had influenced their preparedness to participate in further PbR or SIB contracts is discussed in our conclusions.

2.2.3 Pipeline projects and Further Allocation awards

At the time of writing, three projects had received confirmation of their LCF award but were yet to launch, and an additional 13 were awaiting the outcome of their applications for 'Further Allocation' awards in order to scale up existing activities.

2.2.3.1 Pipeline projects

At the time of writing, three projects had received confirmation of LCF funding/a final award letter but had yet to launch – two under the Healthy Lives theme and one under Children's Services. Two of the three projects are expected to launch in January 2021, with a launch date for the third to be agreed[21].

Assuming that all three projects launch successfully, Community Fund data shows they will represent an additional **£35,342,275** of outcome payments from a combination of LCF and commissioners and engage with an additional **12,118 service users**. Indeed, with total outcome payments of £15 million, £14.5 million, and £5.9 million, the remaining pipeline projects will include two of the largest LCF SIBs.

2.2.3.2 Further Allocation Awards

To help maximise spend of LCF resources following project attrition, expressions of interest were sought in June/July 2020 from launched projects to scale up their services by increasing the size of the project cohort and/or by adding new commissioners to projects. Applications could be made for up to 50% of the original LCF funding award, although consideration could be given to proposals for a higher uplift where anticipated cost-savings and/or benefits to service users justified the increased value.

A total of 14 projects submitted initial Expressions of Interest for the awards, 13 of which progressed to submit full applications. At the time of writing the applications were being reviewed, with decisions expected later in November 2020.

2.3 Concluding comment

This section has reviewed the administration and performance of the Fund to the end of October 2020, in terms of the number of projects successfully launched, the value of commissioner and LCF funding secured for outcomes payments, and the value of social investment committed and by whom. Key findings are that:

[21] This was true at the time of writing the report in November 2020. At the time of reviewing the report (January 2021), two of the pipeline projects had withdrawn.

- At the end of October 2020 **29 projects had successfully launched, with three 'pipeline' projects** expected to launch in 2021 – representing 16% of all the expressions of interest received and 29% of those progressing to the full application stage. This suggests that the LCF has supported the launch of around half of the SIBs known to be active in the UK (29 of 59)[22].
- Collectively, the 29 projects expect to engage with **almost 45,000 participants**, ranging from children to older people, many of whom will be facing multiple and complex needs;
- A total of **£147,811,557** is available for outcome payments across the launched projects, with **£105,357,295 committed by commissioners** levered through **LCF top up awards totalling £43,454,262**[23]; and
- Social investment to the value of **£26,981,840** is anticipated, from two IFMs (Big Issue Invest and Bridges Fund Management) being the lead organisations investing in 23 projects and over 90% of the social investment committed.
- While most successful applications were **local authority** led, lead providers were firmly concentrated in the **VCSE sector** (in 22 of the 29 cases).
- Previous **experience of outcomes based contracting and PbR regimes was high** amongst lead commissioners (23 of the 29 projects), with half (15 out of 29) of the lead providers having similar experience. Previous **experience of SIB development and implementation was also not uncommon** – 19 of the 29 lead commissioning authorities had previously been involved in a SIB, although just one third of the led providers (10 out of 29).

The extent to which performance to date evidences the achievement of the LCF objectives is discussed in detail in our conclusions. However, it is clear that the LCF has supported the launch of a **high proportion of the SIBs currently active in the UK**, securing over £147 million in outcome payments from top-up awards of £43 million and with almost 45,000 service users forecast to participate**. VCSE involvement in the launched projects has been high**, primarily as providers but also as lead applicants. While previous experience of outcomes contracts and PbR regimes was high amongst the lead commissioners (and of SIBs less so), the Fund still offered a **first opportunity for stakeholders to experience this way of working.**

[22] Source: GO Lab INDIGO Impact Bond Dataset V2, 12th October 2020

[23] Excluding the LCF contribution to the three 'pipeline' projects and the funding applied for under the Further Allocation awards.

3 Developing a SIB through the LCF: applicant experiences of the Fund and stakeholder perspectives

The section brings together interview evidence from interviews with 13 applicants whose proposals did not go ahead with case study data from 11 successful SIB projects (which involved a total of 66 interviews with commissioners, providers, IFMs and intermediaries where relevant). Both interviews and case studies explored applicants' experiences in terms of their reasons for applying to the Fund and the expected benefits that would result, the challenges and barriers faced in preparing their applications, the support they received and the learning resulting. The section also draws upon 12 interviews with national stakeholders, listed in Section 1 including representatives of the LCF programme delivery partnership and IFMs participating in the programme, setting out their reflections on the task of building a SIB proposal and the LCF application process.

3.1 Experiences of applying to the LCF

3.1.1 Reasons for applying

Interviewees reported multiple reasons for applying to the LCF involving a combination of the following factors:

- **Financial –** Financial pressures and the paucity of funding opportunities for early intervention work. The top-up funding on offer from the LCF was identified as critically important and, to a lesser degree the contribution from IFMs. In interviews with Round 1 and Round 2 applicants (undertaken between 2018-2019) the opportunity to deliver projects that would deliver cashable savings to the commissioner was cited as a motivator although this became a less prevalent justification in later interviews when efficiency was discussed.
- **Synergy between LCF and local strategic priorities –** for example the need to reduce the numbers of looked after children. Commissioner applicants had been approached by providers who came to them with a proposal that resonated with their own needs and ideas.
- **Realising an existing idea –** Seeking funding for projects that applicants had already piloted or where a project idea was already fairly well advanced. Where these were provider initiated it was usually the case that the provider had been looking for funding for a while with commissioners unwilling to meet the full cost of the project. Where these were commissioner led the local authority or CCG had already identified that they did not have sufficient funding to go ahead and were looking for external funding opportunities.
- **Enthusiasm for SIBs –** Application led by a ‘SIB enthusiast’ where the applicant was particularly keen to involve themselves and/or their organisation in a SIB. The key people involved had a background of working in a commercial private sector role or had previous experience developing a SIB. In other examples interviewees reported that they were keen to find new ways of funding a specific area of care or support for example adult social care where funding for preventative work is scarce. For these applicants, the LCF offered the opportunity to do something new in a relatively risk-free way.

- **Positive prior experience –** Already delivering a successful or multiple successful SIBs and/or with previous experience of applying to the Commissioning Better Outcomes fund (CBO). Applicants fitting this description were sometimes approached and invited to apply to the Fund by a funding officer, IFM, or intermediary they had already worked with under a different SIB funding stream.

3.1.2 Perspectives on the application process

The majority of applicants interviewed described applying to the Fund as complex and resource intensive. This was in terms of agreeing outcomes, getting the financial modelling right and securing financial commitment, building, and maintaining productive partnerships, getting political approval from elected members where necessary, and responding to the requirements of the LCF application process.

3.1.2.1 Stakeholder engagement and commitment

Applicants reported spending considerable time relationship building with the multiple partners involved in their SIB proposals including commissioners, providers, intermediaries, the LCF programme delivery partnership, investors, and potential service beneficiaries. Commissioners reported that they wanted to *"do the process properly"* and that this included extensive partnership working and co-design with the voluntary sector.

Interviewees described challenges in explaining and promoting the SIB idea both internally within their own organisations and externally to (other) commissioners and potential partners and/or providers. This was particularly problematic where stakeholders had no previous experience of, or indeed knowledge about, SIBs and could not see how one could benefit their organisation or the delivery of an intervention.

Working with multiple commissioners also presented logistical challenges to applicants both in terms of getting the full and final applications submitted as well as later at the contractual stage. Applicants reported having to juggle organisations' different timescales, governance arrangements, and administrative processes.

Engaging commissioner support and maintaining their in-principle commitment over the long timescales needed to develop a SIB (especially in the context of staff turnover) was particularly difficult for provider applicants and was a major reason for not going ahead with a proposal (see section 3.2.1 below). Negotiating with multiple commissioners and commissioner drop out could also result in delivery models being scaled back or significantly changed during the time it took to move from EoI or Final Application to Final Set Up stage.

3.1.2.2 Agreeing outcomes

Agreeing outcome measures could be challenging especially where there were other agencies delivering services aimed at the same cohort and/or where there were multiple commissioners, with different priorities, involved in the bid. Interviewees pointed out that commissioning against outcomes was new to others in their service area, for example in adult social care and hence stakeholders struggled to think in these terms. Contracting against outcomes could be new for commissioners but could also be challenging for those more familiar with outcomes-based contracting, which could significantly hold up project launch dates.

Where there was a strong evidence base for the intervention (for example where it had been implemented and subject to evaluation in other contexts) or where it had been successfully piloted locally then agreeing outcomes was more straightforward. Where the evidence base was weaker, or the intervention represented something new, agreement could be more difficult to reach.

Agreeing health outcomes was experienced as particularly difficult with applicants reporting a perception that CCGs were less interested in broader societal outcomes than local authorities and would only pay for outcomes that delivered unequivocal savings to them.

Where applicants had a broad vision for their SIB, defining outcomes could become an impossible task. For example, one project envisaged that their proposed intervention would lead to a wide range of health, wellbeing, and social outcomes. After extensive debate and effort to refine these, along with acknowledgment that achieving outcomes would be contingent upon a range of other variables outside the intervention, it was decided not to proceed with the application.

The problem of attribution in the context of multiple interventions that might contribute to proposed outcomes was also described as challenging. For example, one applicant reported that their commissioners were reluctant to pay for mental health outcomes when they were already delivering Improved Access to Psychological Therapies (IAPT) services.

3.1.2.3 Getting the financial model right and securing investment

Whether successful or unsuccessful, applicants experienced challenges in establishing their financial models. These applicants described the process as complex and time consuming. The process was particularly difficult where multiple commissioners were involved either across local authority areas or different sectors. Challenges were described in terms of the negotiating process itself and agreeing a funding model that made financial sense to all parties within the context of different governance arrangements and timescales and in designing multiple commissioner payment mechanisms.

"It took up an overwhelmingly disproportionate amount of time to build it and… it really went down to the wire for us to be able to land it in a contract form that works for everybody. Because we had to work in NHS and local authority governance and finance arrangements too" (Successful commissioner applicant).

"A number of LAs were involved, schools, investors and the LCF it became ugly and impractical and was horrible contractually" (Unsuccessful provider applicant).

Provider applicants also described facing problems and doubts from commissioners over the level of outcome payments and cost-savings delivered. Potential commissioners wanted the proposed project to deliver in-year cashable savings and not just cost-avoidance. Both provider and commissioner applicants described spending considerable time in determining what the cashable savings might be and expressed doubts that these would ever be realised[24].

3.1.2.4 Responding to the requirements of the LCF

While another experience amongst the interviewees was that the application process was reasonable and proportionate, there were significant concerns about the complexity and confusion it caused. Key difficulties included the following:

- The quantity of information and level of detail required by the LCF was experienced as challenging and very time consuming to collate. Some interviewees felt that they were being continually challenged to demonstrate that they had the right infrastructure and mechanisms in place and had made the correct assumptions in their modelling. Interviewees reported that this led to a lot of toing and froing between themselves and the LCF programme delivery partnership, with information being refined and resubmitted numerous times. This was not helped by the perception that application forms and accompanying guidance did not always make it clear what level of detail was required.
- The complexity involved in applying also led interviewees to question whether it had been worth the cost of going through the process – one estimated that it had cost them and their partners in the region of £200k in staff time over the two-year process while another described it as *"a massive overhead"* with more individuals involved in the application than would be delivering the project. IFM interviewees also commented that the rules applied at the application stage could have been easier and more flexible and that the added layers of having both the Community Fund and DCMS involved had led to some communication problems *as "ideas were not always conveyed with their original meaning"* (IFM).
- On a technical but related note applicants reported that the restricted amount of information it was possible to submit on set up forms (as the fields were limited) led to a lot of "back and forth" with the LCF delivery team in order to explain answers. It was noted that this effectively counteracted any benefits that might be achieved from streamlining and restricting the information provided by applicants.
- Applicants commented specifically on the timescales for submission. Slippage of timescales given for issue of EoIs and final application forms meant that for a small number of applicants the time they had to complete final forms was reportedly reduced from 12 weeks to six weeks and was experienced as "*highly pressured".* Unsuccessful applicants noted that had they had more time they might have been able to reconsider and amend their SIB model when problems started to emerge. Applicants also raised the point that LCF timelines were incompatible with CCG/LA commissioning lifecycles/timetables. One interviewee pointed out that services are not commissioned until others come to an end and suggested that applicants should have been able to apply for funding when needed rather than at set timepoints. Others commented that the short timescales were incompatible with the time taken to meet the administrative demands and decision-making processes of local authorities. One interviewee suggested that *"the LCF should have performance managed their timescales"*

[24] The LCF application process included a focus on cashable savings as part of the rationale for applying for the top-up. i.e. projects made the case for the need for central govt funding by showing how it would save central govt money in the longer term.

pointing out that when the Fund processes were delayed *"organisations are still expected to keep up with the initial timescales".* (Unsuccessful applicant).

The application process was sometimes experienced as more straightforward where applicants had previous experience of applying to a SIB funding stream. This meant they had experience of developing the technical aspects of a SIB which they were able to apply in the LCF application. These applicants were more likely to speak positively about the process even when they had not ultimately been successful:

"I had been through it with Commissioning Better Outcomes, this time it was a little different but familiar – I'd had support and guidance from the team before, so it was relatively straightforward to go through it again – this was with different local authorities but we were using the same as what we had been successful for before". (Unsuccessful Provider applicant).

"The process of LCF wasn't too different to Commissioning Better Outcomes there wasn't much that changed although it was more streamlined… It wasn't difficult because we had been through it before" (Commissioner applicant)

3.1.3 Use of the development grant and experiences of support

3.1.3.1 The development grant

With few exceptions, applicant interviewees had applied for the development grant following a successful EoI submission. Given that a condition of the grant was that it be used to purchase external support[25] applicants went through a procurement exercise to appoint an intermediary or consultant. External consultants were employed to support the development of a range of different components of proposals including the following:

- Undertaking needs assessments to help define the rationale for the proposed intervention and define outcomes;
- Work to support the business case and financial modelling. For example, by modelling risks or looking at the costs of negative outcomes that the proposed intervention was intended to avoid such as school exclusions, care proceedings, hospital admissions and where any savings made would accrue;
- Stakeholder engagement and supporting the co-production of proposals;
- Project management of the whole proposal design process;
- General advice and guidance on unfamiliar concepts and processes; and
- Helping with communications and presenting the SIB case to key stakeholders.

Interviewees reported being pleased with the support they had received and commented that they would not have been able to put their proposals together without it. This was usually because they lacked the time, internal resources, and expertise to develop the various aspects of their bids. Interviewees valued the expertise of external consultants as well as their independent advice.

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[25] The perception that the development grant had to be used to pay external consultants stemmed from the following sentence in the original LCF guidance document: "Applicants can apply for grants if they require financial support to procure specific pieces of technical advice to develop their proposal." (p.3 LCF guidance – published by Cabinet Office).

"It was really good… to get independent expertise to develop the bid from someone who has experience of SIBs on both sides… I worked closely with him to develop the original proposal" (Commissioner Applicant).

Applicants reported that they had found the advice they received invaluable due to the "*confusing nature*" of LCF guidance which interviewees felt left some things unexplained while including complex detail in other areas. One commented that it was useful to have an expert on hand to sift through and interpret the guidance pulling out what was relevant and saving *"valuable time in traveling to generic events or sifting through an array of guidance documents"* (Provider applicant).

However, applicants commented that even with the additional resource afforded by the development grant they had had to expend considerable time and internal resources in developing their SIB.

Interviewees noted that while the development grant had been useful, it was spent in the earlier stages of the application, and they would have benefited from further support later on in moving from in-principle offer to Final Set Up.

"There wasn't any funding after the development grant to get to develop the project model into a real delivery plan… and to deal with all the problems that later transpired with the local authority and CCG" (Provider applicant).

"If we'd had more funding at the later stage we could have used it to pay for a member of our staff to do the project management and partnership building the project needed to get back on track" (LA Commissioner applicant).

Applicants reported that they would have appreciated the opportunity to use the development grant to free up internal resources (e.g. by paying for staff or replacement staff time), as this would have given them greater control over the development process and generated more internal learning than by paying for external consultants. They also experienced the demands of the internal procurement process for external support as irksome, reflecting that this time could have been better spent in progressing their SIB proposal.

Interviewees expressed disappointment with the support they had received from their external consultants. This was for various reasons including the impression that the consultant lacked the necessary subject knowledge and expertise, failure to deliver what was asked for or a workable financial model, and poor communication. In a small number of cases interviewees reported that their consultant had made matters worse by presenting a negative impression of SIBs to their senior management teams:

"[He] really didn't help…made it sound like SIBs are all about making money for the investors…" (LA Commissioner applicant).

3.1.3.2 Support from the LCF programme delivery partnership

Experiences of support received from the LCF programme delivery partnership were generally spoken about in positive terms. Interviewees from later rounds of application were more likely to report receiving support compared to those in the first round, who had received very little or none. This is reflected in the national stakeholder interviews which suggest the level and quality of support improved over the lifetime of the application period. They were also more likely to comment positively on the bespoke support they had received from the Community Fund and Traverse which was variously described as *"phenomenal", "helpful" "responsive"* and *"thoughtful".* Interviewees who had built a relationship with their nominated support officer through an earlier LCF application or previous application to CBO spoke particularly highly of the input they had received:

"[Name] was a real source of support, encouragement, and advice throughout. Leading a thing like this you can be in a lonely place, and they helped with that emotional side of it as well." (Provider applicant)

Elements of support that interviewees valued included:

- Helping them to understand the technical details of the SIB and exploring the different approaches that could be taken including whether or not a SIB was appropriate in their context;
- Support in interpreting the guidance and active involvement in completing application forms;
- Making presentations to senior management and others explaining what a SIB is and how it might work for their organisation;
- Liaison with and between commissioners and helping to explain the business case to others in the local authority (including elected members) and/or CCG. For example, applicants commented that their support officer understood the constraints of operating with a local authority context and that this was very useful;
- General encouragement and emotional support particularly where the applicant felt they were isolated in their role in leading the bid;
- Guidance on which IFMs to approach; and
- Negotiation around extending deadlines.

Interviewees commented on the lengths that their support officer had gone to in trying to ensure their proposal would go forward and valued their involvement in liaising between different stakeholders when challenges were experienced during the development process.

By way of contrast interviewees could be critical of the support they had received from the LCF programme delivery partnership. Provider applicants whose proposals had not gone ahead reflected that they would have benefited from more support from DCMS to help ensure commissioner buy-in to the SIB from the beginning. One provider pointed out that they had little leverage over commissioners and felt that the delivery team could have played an active role in helping to secure their engagement:

"What could have been improved was some heavyweight backing and input from DCMS from the start….a DCMS person should have been knocking heads together at senior levels in the local authority and CCG – to point out to them how bad their services were and force them to make a firm commitment to the SIB project at the outset" (Provider applicant).

A small number of applicants felt that they had been allocated a support officer who did not have the necessary experience to support their proposals, or suggested that staff turnover at the Community Fund was high and that there was a lack of consistency in contact.

A few interviewees reported that they had experienced contact with the LCF programme delivery team as pressured and that things had had to be done by set milestones, even when this did not match the pace the project was developing at.

"It was hard work, and it took a lot of our time…the calls from LCF made it feel like they were waiting for us to slip up rather than being helpful or supportive and offering guidance". (Provider applicant)

Interviewees described logistical problems in accessing the workshops and face to face events run by DCMS and the GO Lab including the distance they had had to travel, and the expense incurred through overnight stays. One suggested that invitations should have been opened out to a wider range of stakeholders as they had had to spend a long time feeding back to relevant people within their organisation.

A small number of interviewees described the supporting tools and workshops as *"formulaic"* and not tailored enough to their projects to be useful. Others however reported that they would have appreciated further guidance, for example on how to define and measure outcomes, develop an evaluation framework and work with IFMs.

"I'd have liked more on what to look for with a social investor [but] this was not forthcoming... and its things like this you struggle with, and you have to try and find out, its time consuming" (Provider applicant)

"There was very little how and a lot of theory. For example, how to measure wellbeing outcomes and how do you measure if people are feeling better or more looked after?" (Provider applicant)

3.1.3.3 Support from IFMs and intermediaries

Experiences of IFM engagement and support in the application process varied between applicants with IFMs having been actively involved and others having either very little or no input. Where involved, the degree of collaborative between IFMs and applicants also varied, with interviewees describing a highly collaborative approach that included mutual challenge and compromise. Others, particularly those with no previous SIB experience, were happy to be led by their IFM on key decision making around the technical aspects of their proposal.

Interviewees highlighted the importance of both IFM subject knowledge and experience in developing and delivering SIBs. Applicants clearly felt most comfortable where IFMs had in-depth knowledge of their service area and could provide support and expertise from the outset. This was typically balanced against the rate of return IFMs wanted and their appetite for risk. Support received from IFMs was primarily around the development of the financial model and in providing other detail for the application process. Successful applicants also reported receiving advice and support at the procurement and contracting stages. IFMs reported that they had played a role in influencing the governance arrangements for the SIB in particular by ensuring that senior decision makers were engaged.

It would appear that IFM subject knowledge or enthusiasm for investment was not uniform across the different policy areas covered by the Fund. In one case study example, commissioner applicants reported that they had approached a number of potential IFMs but found that there was little interest in investing in both the cohort and type of services their project was focused on. They reported that the IFMs they had engaged with questioned the return they would get comparing this unfavourably to investing in SIBs targeting different cohorts. In the end this project went ahead with investment from a different specialist fund. The applicants were positive about the support they subsequently received from the specialist fund managers noting that they were confident in their ability to provide robust project support alongside financial management. In setting up the SIB the specialist fund managers provided expertise in designing outcome metrics, drafting, and amending contracts and completing documentation for DCMS.

In a second case study intermediaries were praised for their role in leading the application process who drew on their previous experience of establishing similar SIBs to develop the funding proposal and align outcome payments and financial flows to LCF requirements. The intermediary also played a key role in the procurement and contracting stages and, given the extent of their role this was one proposal where no recourse to the development fund was made.

"[Name of organisation] bring a load of additionality, that I really welcome and the providers welcome, it is a very different kind of practice to the way that a grant making foundation or local authority or the NHS would typically contract and commission so it's insightful working alongside and seeing how their approach is different. But also, their network across the sector, their ability to pull in… learning across from other providers, and that kind of subject matter expertise is an additionality that has been really helpful" (Commissioner).

3.1.3.4 Peer support

For applicants, advice and guidance from peer organisations delivering similar projects was identified as a valuable source of support they had accessed. For example, one Children's Social Care application was significantly enhanced by learning from teams in two other local authorities who provided advice on issues such as cohort sizes and cashable savings.

3.2 Projects withdrawing from the Fund

This section reports the findings from a programme of interviews (21 in total) with LCF applicants who had submitted full applications but withdrew following submission of the application or at the final set-up stage.

The interim report covered those withdrawing at the EoI stage. In summary the key reason for the withdrawal of provider-led bids at this stage was the failure to engage commissioners although it was clear from the research evidence that bids could be highly speculative and the lack of proactive engagement with commissioners meant they could not have proceeded further. Applicants withdrawing at EoI typically encountered difficulties in working through the more technical aspects of their bids, particularly in developing or agreeing appropriate outcome measures. Applications also failed where the financial risks were felt to be too high or where the proposed project was not suitable for a SIB contract.

Reasons for withdrawal at Final Application or Final Set Up were multiple and involved a complex array of interrelated issues and challenges. Where challenges proved insurmountable projects were forced to withdraw from the application process even when an in-principle offer had been made. While each project faced a unique combination of challenges some of these recurred between projects.

3.2.1 Provider led bids

For provider-led bids, a challenge was the ability to move commissioners from the position of in-principle support to secured financial commitment. This finding is echoed in other SIB evaluation reports.[26] Provider narratives highlight the considerable time spent in relationship building and brokerage between different partners. Reasons for withdrawal of support or failure to secure financial commitment were multiple and include:

- Loss of buy-in due to turn over of key staff in commissioning authorities over the time taken to develop the SIB
- Lack of senior buy-in and engagement with staff at too junior a level.
- Unresolved questions for commissioners over proposed outcome payments and/or or lack of evidence that the project would deliver cashable savings to the commissioner. Providers reported that commissioners wanted clear evidence that the proposed project would deliver cashable savings to their organisation: *"The [commissioning organisation] started saying if it couldn't deliver in-year savings then it was no good. They also said it had to guarantee cashable savings, not just cost avoidance, when there isn't the evidence-base yet to be able to say this"* (Provider applicant).
- Local authority reluctance to commit to long term funding and/or fear that longer term outcomes would be realised after work done by the contracted service. "*…they [the commissioners] were expected to pay for 70% of the cost for the outcomes, which the LA didn't know whether they would accrue back to their own budgets or by the time they would have to pay out"* (Provider applicant).
- Changes in the local or national policy context and/or changes in strategic priorities over the time taken to put the proposal together; *"While we were developing the LCF applications NHSE announced they would provide transformation funding to STPs (*Sustainability and Transformation Partnerships*) to grow the size of their IPS (*Individual Placement and Support*) service…the local commissioner put a pause on the LCF stream until the STP funding came to see how the landscape would change – at this point it was difficult to commission and very political"*
- Contractual arrangements experienced as too complex to continue. One successful case study project also had two of their four commissioners drop out at the contractual stage leading them to significantly revise their delivery plan;
- Commissioner choosing to deliver in-house or commission the service from a different provider and not as a SIB; *"It's a risk you take – when you scope out the service, work out the data and present to them [the commissioner] to deliver – they can then commission from others. It feels like I basically spent ten months doing free consultancy"* (Provider applicant};
- Questions over the viability of the SIB due to small cohort size; and
- A general reluctance to commit to a SIB for political or ideological reasons and/or fear of risk "*the idea of an investor brings up a narrative around privatisation, return on investment and making a profit… which doesn't sit well with the public sector"* (Provider applicant).

The case illustration below provides an example of an unsuccessful provider-led bid that demonstrates the significant difficulties faced by VCSE provider applicants in securing meaningful buy-in from senior commissioners.

[26] ICF (2020) *Life Chances Fund Evaluation Interim Report* DCMS. Ecorys (2019) Commissioning Better Outcomes Evaluation.

Provider led application under the Older People theme

The proposed project aimed to provide holistic personalised support to older people with multiple long-term conditions who were at risk of unplanned hospital admission. The lead applicant was a VCSE provider already delivering similar services across a number of GP practices locally.

The proposed SIB was supported in principle by the local commissioners, but no IFM had been decided upon. The project received an in-principle offer from LCF for £1.8m in 2018. However, the offer was pulled a year later in 2019 when the commissioners proved unwilling to commit.

Reflecting on the reasons for this the applicant reported that the commissioners were "too worried and suspicious" of the idea of a SIB to follow through. They had recently merged with another commissioning organisation and come out of special measures so were reportedly "very risk averse". In addition, they had "just gone along with" the application rather than leading it or devoting any serious time or commitment to it; the lead responsibility being passed from the head of commissioning to a more junior member of staff. The interviewee reflected that while the commissioner had signed the various LCF application forms in practice this meant very little.

The applicant acknowledged that they may have been "over-optimistic" in driving forward the project when the commissioners were not very keen. In addition, a recent evaluation of the existing project that the SIB was intended to scale up did not demonstrate quick cashable savings. It did show evidence of health and wellbeing benefits but none of these could easily be monetised.

Despite this experience the applicant remained enthusiastic about the SIB funding model and would consider future SIB opportunities

3.2.2 Commissioner led bids

Commissioner applicants identified a number of factors that contributed to the ultimate withdrawal of their LCF application. For each individual proposed SIB, the reasons given were multiple and complex. The following sections describe the key reasons for withdrawal illustrated by case study examples.

3.2.2.1 Financial model not viable

One key reason for withdrawing was the fact that internal service improvement initiatives had started to deliver the outcomes set out for the proposed SIB. This could lead to a reduced demand for services and hence had begun to yield savings to the commissioner. Where these had supported a reduction in financial pressures the original rationale for the SIB proposed at EoI had been rendered obsolete and meant the financial model was no longer viable.

One project withdrew when they were told that the level of top-up funding from LCF would equate to 15% of the total cost when they had been expecting 20-30%. The interviewee reported that this made the financial model unviable as they would have had to expend more resource to make the SIB viable *"the LCF funding wasn't worth the additional work we needed to do for the money"*. (Applicant)

For other projects the key reason for withdrawal was an inability to secure social investment as the financial model preferred by the commissioner offered too little a return for the IFM. One project decided to proceed on a PbR basis while the second detailed below as an illustrative example, moved ahead through in-house provision.

LA commissioner led bid under the Drug and Alcohol theme

The proposed project aimed to support people with complex mental health issues move from residential care into supported living. The LCF was felt to offer an opportunity to do some 'bespoke work' with this vulnerable group of people.

The commissioners undertook some financial modelling for the project based on outcomes they had previously achieved with a similar cohort but with a lower level of need. Outcome payments were devised along the following lines:

- Payment 1 at 3 months for people stabilised and moved out of residential care;
- Payment 2 based on secured accommodation for 9 months; and
- A final payment based on secured accommodation at 12 months.

The commissioners engaged with a number of IFMs, but ultimately found it impossible to reach agreement over the financial model. Firstly, the IFMs wanted the project to support a larger cohort, including people with a lower level of need than proposed by the commissioners so that their return on investment would be higher. Secondly, the commissioners felt that the savings they might accrue if going forward with the SIB would be nominal and that it would therefore not be financially worthwhile to pursue.

The project has since gone forward on a non-SIB basis using a mix of internal resources with some care support commissioned from an external provider. The applicant reported that the project had over performed and delivered savings this year and was confident that it would continue to deliver savings going forward.

3.2.2.2 Change in local strategic priorities and/or change in national policy

Three proposals were withdrawn when additional funding from central government became available for the proposed intervention rendering the application for LCF monies redundant. In the following case illustration, while there were other compounding factors, the change in government policy was a key driver for withdrawal.

Commissioner led bid under health and wellbeing theme

The proposed project aimed to deliver a holistic co-designed 'social prescribing' service on a county wide basis. The proposal received an in-principal offer for £1.7m in August 2018 but the project was pulled in May 2019.

There were a number of reasons why the proposed SIB did not go ahead including the announcement of central government funding for social prescribing in primary care settings. While the applicant's proposed project had included elements in the design and delivery model that went beyond a social prescribing project the advent of this funding made it harder to make the case for continuing with the LCF application.

3.2.2.3 Proposed project too broad in scope with insurmountable problems in defining and agreeing outcome measures

Difficulty in agreeing outcome measures was challenging for a number of applicants and in a small number of cases it became a primary reason for withdrawing a proposal. This was the case where the project was either too broadly defined with a concomitant huge number of possible outcome measures or where there were multiple commissioners who were interested in achieving different outcomes.

One applicant explained that they had become *"bogged down"* in the process of trying to reach agreement over what outcome measures would be suitable and measurable, finally deciding that it was *"more effort than it was worth"* in terms of the amount of data collection, management and accounting that would be required.

For another commissioner-led bid it was concluded that because their vision was so broad and spanned so many outcome domains, the provider would have to be a consortium of local third sector organisations. Political resistance to the consortium became a contributing factor to withdrawal.

3.2.2.4 Failure to procure

One commissioner-led proposal was forced to withdraw when the local authority was unable to procure a provider who met the requirements of the specification. The proposed project aimed to work with families to reduce the likelihood of children coming into care. The local authority service specification set out the level of guaranteed referrals, but this was seen as too low by prospective providers who were not happy with the level of risk posed under the payment by results regime.

3.3 Successful applications

Given the diversity of policy themes, type of intervention and organisations involved in launched SIBs it is difficult to identify facilitators of their success which applied across the different contexts for implementation. However, there were some critical factors that were present in all eleven SIB case studies included in this evaluation, as set out below:

- A well-defined target group with clear criteria for service eligibility – for example children on the edge of care or mothers who have experienced multiple care proceedings.
- Objectives that aligned with easily measurable binary outcomes – for example employed (versus unemployed) not pregnant for 18 months (versus pregnant), housed (versus homeless). More broadly conceived objectives such as 'better wellbeing' or 'enhanced resilience' that are more difficult to measure and attach a financial benefit to or are less easy to attribute to a single intervention are less workable in a SIB context.
- An LCF policy theme that resonated with local priorities for intervention or where the theme spoke to a statutory responsibility of the commissioning authority – for example children in need/looked after children.
- A financial model that works, and makes participation worthwhile, for IFMs, commissioners, and providers with what could be different priorities. For commissioners, cashable savings were not always as important as social good and cost neutrality. IFMs needed acceptable rates of return seen as reasonable and commensurate to their input by other partners.

A range of contextual issues also emerged as important, a combination of which were variously present across cases studies. These included:

- Where there was an established and/or strong relationship between commissioners and providers. This could be where the applicant was a provider and had either piloted a successful project or built a strong business case for a proposed project or, alternatively, where the applicant was a commissioner wanting to fund a new or extend an existing service. A strong partnership characterised by relationships of trust between the three key stakeholder groups – commissioner, providers, and IFM/intermediary - was also important.

- Where there was a strong shared vision and rationale for the proposed intervention between commissioners from different sectors where multiple commissioners were involved.
- Where a single local authority acted as a single commissioning vehicle on behalf of a consortium of commissioners.
- Where the applicant had identified a local need and had a well thought through project or proposed an intervention with a strong evidence base that met a local commissioning priority. In these cases, LCF funding presented an opportunity when other funding streams had been unforthcoming or unsuccessful. This was also true in cases where a project was already up and running (with or without previous SIB funding) and where the LCF opportunity enabled it to be continued or extended to other areas.
- Where applicants had previous experience of PbR and/or a SIB and/or where there was a strong appetite for trialling a SIB within the commissioning authority. In commissioning authorities, it was important to have senior and executive level support from the outset.
- Where the proposal benefited from strong support and substantial input from an IFM/intermediary/knowledgeable consultant.

3.3.1 Procurement

Not all the case study SIBs undertook active market engagement as part of the procurement process. This was the case where the SIB was provider-led and there was an established agreement with the commissioner that they would deliver the service ahead of the contracting stage. The provider could be already contracted to the commissioning authority to provide a different service, and in one case the SIB project was incorporated into an existing contract. In another case, the provider had a successful history of delivering the relevant services and the SIB contract represented an extension of this. In another example the commissioners put out a Voluntary Ex-Ante Transparency Notice (VEAT)[27], as they had concluded that there was only one suitable provider who could deliver the service.

All other case studies had carried out some form of market testing or held a market engagement event prior to tendering. These were all commissioner-led market engagement could be supported by IFMs. For example, this involved holding workshops to explain the implications of delivering a SIB to potential providers. There were also examples of commissioners organising events aimed at matching providers and IFMs and inviting them to submit consortium bids for the investment and delivery of the SIB. Interviewees reported that discussions at their market engagement events had informed refinement of their SIB models and further development of their invitation to tender documents. In one case the tender document was specifically designed to be flexible and to enable potential delivery partners to further shape the intervention model, and related details.

Interviewees noted the importance of IFM involvement in the contracting stage of the procurement process:

[27] A VEAT is a means of advertising the intention to contract a service without opening it up to formal competition

'The advantage is that the investor and commissioner can work together to provide the best funding flow for the provider, we take and deal with all the complexities and offer a much simpler contract to the provider'. (Intermediary)

SIBs had a significant input from their IFM in designing and negotiating contract details, while others had no involvement. IFMs also provided support in undertaking due diligence or being part of the provider selection panel.

In one case study the commissioners were happy to allow their intermediary to take the lead role in procuring the service given their experience in designing SIB projects and their in-depth understanding of the services procured. Contractual arrangements were based on an existing 'blueprint' with tweaks made to ensure alignment to LCF requirements.

Contract negotiation could be a very lengthy and time-consuming process and was in some cases fraught with challenges. Reported difficulties included:

- Lack of previous local authority experience in PbR or other outcomes-based contracts. In some cases, this led to lengthy negotiations, which risked the SIB not going ahead when it seemed unlikely that LCF deadlines could be met. In two case studies delays due to a combination of lack of experience over PbR and legal complexity over the use of contract templates led to providers starting to deliver at their own risk.
- Agreeing contractual terms that both the commissioner and the IFM were comfortable with. For example, in one case study the IFM expressed concerns that clauses in the existing contract (concerning early termination) were incompatible with a SIB and would risk them not being able to make returns on their investment. Their preference was to base the contractual terms on a SIB contract template published by the Cabinet Office, but this was not immediately acceptable to the commissioner's legal department. Other projects also experienced challenges with assessing the legal footing of and getting agreement to use the Cabinet Office contract templates. In these cases, interviewees reported that they had had to get independent legal advice about whether they could use the template.
- The potential for a conflict of interest in provider-led bids meaning that providers had to take a hands-off approach at this stage.
- In one case study challenges in getting agreement to conduct a VEAT procurement process. In this example interviewees reported that an open tender process would have taken 9-12 months by which time the LCF funding deadline would have been missed.

There were a range of different contracting arrangements in place across the different case studies including:

- Contract between IFMs and commissioners allowing providers to "*focus on delivery without the need to worry about the financial complexity"*.
- Tripartite contract whereby the IFM holds the main contract with the commissioner and a subcontract with the delivery partner;
- Contract between commissioner and the provider, and between the provider and subcontracted delivery partners, with the provider carrying a percentage of the risk on a PbR basis; and

- Contract between the commissioner and the provider with a social investment loan agreement between the IFM and provider with the provider carrying the project risk.

3.4 National stakeholder and IFM reflections on applying to the LCF

The IFMs interviewed considered that the premise and the underlying principles of the LCF was robust, and that a centrally held outcomes fund can act as a powerful catalyst to generate outcomes for participants and drive improvement in a range of locally commissioned services. The original intention for staggered rounds of applications, and the adoption of learning from previous funding programmes, were seen as strengths of the fund design, although in the early stages at least there was a view that the application process could have been improved.

While having different levels of exposure to, and involvement in, the Fund, a series of issues were raised by the IFMs, relating to experiences of the early application and award process. These included: a perceived disconnect between DCMS and the Community Fund (where decision making sat with DCMS while the Community Fund led the 'end to end' process, and which led to delays in responses to questions and a lack of clarity); and frequent changes in information requirements (which meant applicants had to submit additional information), monitoring data and to the LCF portal[28] – which could have been foreseen in advance and avoided duplicated effort. While many of the issues raised were addressed in the later stages of implementation, stakeholder interviewees agreed that establishing the necessary information requirements for the application and award process should be confirmed at the outset.

The IFMs were more positive about the way in which the stakeholders administering the Fund worked together, and once responsibilities had settled described a more collaborative, problem-solving approach that was different to experiences of more traditional grant making arrangements. While some questioned the level of subject knowledge that was available to support applicants and assess their applications, the Community Fund administration team brought much experience of both funding allocation and outcomes-based commissioning, which built upon the Community Fund's previous involvement in the Commissioning Better Outcomes programme. Ensuring staff with the appropriate combination of knowledge and experience of outcomes contracting and SIBs and having access to the subject knowledge as required, were considered key by the IFMs.

Stakeholders from the LCF programme delivery partnership reflected on the complexity of establishing a SIB. This complexity was described as residing in a series of domains from the need to engage with and build consensus between the key partners, to the detailed work involved in needs analysis, outcome definition and financial modelling, through to the imperative of due process in procurement and contracting. Added to this there was recognition of the need to win hearts and minds and convince reluctant commissioners of the potential benefits of contracting services through a SIB. There was a view that overcoming this complexity was

[28] The LCF portal (created and owned by DCMS) has been set up as a dedicated data portal for social impact bonds within the Life Chances Fund to capture detailed baseline and performance data for individual projects, to facilitate a more streamlined application process and grant management as well as evaluation activity.

neither possible or necessarily desirable and that the Fund ambition to make the process of setting up SIBs easier and quicker was not entirely realistic.

Interviewees from the LCF programme delivery partnership reported that whilst they may not have succeeded in fundamentally simplifying the SIB development process they had reaped considerable learning with respect to the challenges and complexities involved and the sorts of support that applicants required. This learning was reported to have supported refinements to the administration of the Fund, including for example additional check-in stages, and helped improve the quality of support available to both applicants and early SIB implementers.

Interviewees generally felt that the three-stage application process had worked well and that the idea behind the central portal was a good one, although IFMs felt the sequencing of the process, and the overlap between application rounds, worked less well. There was a wider view that the delivery team had worked well together, meeting regularly to discuss the pipeline, and demonstrating a shared ambition and commitment to the success of the Fund. Earlier confusion over the different roles played by delivery team partners had been resolved through away days which had also helped to establish a joint vision for where they wanted to be. One interviewee described a *"big shift in how the Community Fund have worked"* explaining that they had recruited more experienced people who were good at dealing with relationships between stakeholders including working with IFMs – a view reflected by the IFMs interviewed. Throughout the Fund implementation period the Community Fund team have evolved their approach moving away from offering light touch holistic support to providing intensive bespoke support delivered by dedicated support officers well placed to *"get to the nitty gritty of projects".* Support is now delivered through a collaborative approach and focused more on relationship building, stakeholder engagement and partnership working. Two interviewees felt that decision-making processes had also improved, becoming more robust over time as the quality of available data improved, so allowing decisions to be made on a more informed basis.

Interviewees reported that the forums that brought projects together and facilitated peer networking had worked well, especially where projects were developing similar ideas. There were mixed views on the tools developed to support SIB development, which were variously described as well designed and helpful and overly academic and not "real world" enough. Interviewees reported that commissioners had struggled to apply these to their own SIBs, which led to them developing their rate cards from scratch to reflect their circumstances.

Stakeholders involved in administering the Fund described a number of areas where they felt the application process could have been designed better or where support could have been intensified, reflecting the IFM perceptions above. They reflected that the application forms were overly complex for applicants, and that there was not sufficient guidance given on the level of detail that was required and what information was crucial or important.

Stakeholders also reflected that there were too many technical and financial questions asked at the early stage of application when there was still considerable development work to be done. Related to this there was the criticism that applicants were then held to account for things said early in the application stage with little opportunity to flex at later stages.

Determining cashable savings was described as one of the most difficult things for applicants to demonstrate and interviewees felt that it was unfair that people should be held to account on the speculative calculations they had made at the outset.

Interviewees reflected that the narrative around cashable savings was evolving; and that it would have been more honest and helpful to put the emphasis on cost avoidance *and "doing a better job, so driving efficiencies not cost savings".*

A point of weakness was a tendency to let projects drift in the early stages. In particular, it was felt that projects were allowed to remain in the pipeline without evidence of senior buy-in and commitment. In reference to the complexity of what is involved in designing and delivering a SIB, stakeholders argued that at the early stages of the application process applicants should have asked to demonstrate that there were senior decision makers involved who were capable of complex strategic planning and had the authority to move projects forward. One reflected that there were isolated individuals leading the application without the requisite level of seniority and that the Fund guidance should have been much clearer in setting out the conditions for success, including the requirement for a well-considered project theory of change, evidence of senior buy-in and sufficient resources to proceed. Interviewees also felt that there should have been far more emphasis on scrutinising bids, testing the seniority of the bid team, and challenging the evidence for concrete commissioner interest to ensure that only the really robust applications were enabled to continue.

While there was overwhelming support for the development grant, stakeholders suggested that there should have been more investment and resource available at the latter stage of the application process as the grant had been spent before Final Set Up. Moving from the in-principle stage to confirmed commitment from both IFM and commissioners was described as particularly challenging. One way of addressing this issue could be to set tighter deadlines for final submissions with meetings to ensure that senior commissioner commitment was in place. However, the tensions between *"getting people to do a mass of stuff and then not funding them"* was also recognised. One interviewee also pointed out that where projects had used the development grant to pay an intermediary to develop their financial model some had not taken real ownership of it, so *"they were at a bit of a loss when the funding ran out"* and failed to move to Final Set Up.

A key learning point for stakeholders was the need for flexibility - allowing projects to be flexible at both application and post-inception.

"We should avoid getting bogged down in fixed outcomes – these might evolve and ways of measuring them might also. There needs to be a clearer understanding of the need to be flexible – for example, the price paid for outcomes – things change" (Fund stakeholder).

Stakeholders commented that the time taken to move through the application process to launch has been longer than originally envisaged and that part of the reason for this was the onus placed on applicants to develop the pricing and rate cards. This sits in contrast to earlier SIB initiatives where rate cards were prescribed by central government[29]. An anticipated strength of a locally led approach is that it should generate learning for future local SIB development and support peer learning between projects.

3.4.1 Supporting innovation

The stakeholder interviewees pointed out that as innovation was not clearly defined in the application guidance, assessing evidence of it rests on the definition the

[29] For example the Fair Chance Fund and London Homelessness SIB

assessor chooses to apply. If innovation is taken to refer to a new and untested intervention then stakeholders reported that it has been very difficult to get projects fitting this description approved, as both IFMs and commissioners felt they would not work as a SIB. As one stakeholder explained:

"Commissioners were very unlikely to fund untested approaches... Lots of services that have gone through are high fidelity or funded previously through a SIB…the risk appetite amongst investors is not broad". (Fund stakeholder)

Others suggested that innovation is a broad enough term to capture some elements of what has been funded through the LCF. One interviewee felt that the Fund had successfully enabled some *…extras not mainstream projects but not innovative either"* with evidence of using these to reshape the pattern of provision by *"trying to make things more joined up and comprehensive"*. Another suggested that there were some creative elements in evidence in projects coming through for example new partnerships and IFMs investing in things that they had not done so before although *"the evidence to which anything is wholly new is not strong"* (Fund stakeholder).

The IFMs agreed with the challenges around supporting wholly new innovation, such as interventions that had not been previously tried and tested, within the SIB model, and the potential contradiction inherent in it where delivery risk must be balanced against securing a return. They supported a wider definition of innovation, which would include: an intervention being delivered in a new location; with a new target group; or across a new partnership arrangement. One considered that innovation may also lie in the ways in which projects address any issues or challenges they encounter. In this sense the flexibility and ability to amend an approach is an inherent strength of the SIB model.

3.4.2 Supporting partnership and collaboration

Interviewees commented on the Fund's role in supporting the development of productive partnerships between commissioners, providers, and IFMs. One interviewee explained that although not an explicit aim of the LCF the intent to support partnership working, and collaboration did sit behind the programme and that he felt the Fund had achieved this. Stakeholders commented that they were seeing different behaviours from commissioners who were taking a more active role in the design, governance, and performance management of projects. One reflected that while relational contracting could also be a feature of projects proceeding under more conventional grant funding arrangements, the difference with an LCF SIB is the financial commitment of the commissioner, which promotes a more intense form of engagement. Others however expressed a contrary view explaining that from their experience, there were IFMs and commissioners who were "*only interested in the metrics"* with no *"real connection to the beneficiaries"* and that *"It still feels that the providers are the poor relations in the partnership".* (LCF programme delivery partnership stakeholder)

3.5 Concluding comment

The experiences of Fund applicants provide evidence of the complexity inherent in developing a SIB at the local level, particularly for the first time. While the Fund set out to make the process of setting up a SIB easier this has been difficult to achieve although there is some limited evidence that the process has become more streamlined over time. Complexity lies in the range of necessary processes that it takes to establish a locally owned SIB funded project. These include establishing an accurate picture of need; designing an intervention that will effectively meet those needs and can be evidenced through a set of measurable outcomes; the development of a financial model that demonstrates cost benefits for commissioners and IFMs; and a complex procurement process. All this is underpinned by the imperative of active stakeholder management and relationship building and the need to ensure that senior decision makers are engaged throughout. This raises the question of whether the process of establishing a SIB can or *should* be simplified and whether the LCF objective is an appropriate one.

The application process was clearly experienced as challenging for applicants and there is applicant and stakeholder evidence that this could have been improved. Key recommendations for improvement include ensuring that information requirements are clearly specified from the outset; and closer scrutiny of bids at an earlier stage to ensure there is robust evidence of senior buy-in, commissioner support and the resources available to proceed in building a plausible SIB. There is also recognition of the major challenge in moving from an in-principle offer to final set up, and interviewees agreed that more resources should have been available to support this stage of the process.

Overall, the support provided by the LCF programme delivery partnership has been well received and the quality of this support appears to have improved over time as the implementation of the Fund continued. Notably there has been far more emphasis placed on stakeholder engagement, with LCF programme delivery partners playing an important role in brokering relationships between commissioners, providers and IFMs and supporting a co-commissioning approach.

4 Early implementation, governance, and performance management

This section draws primarily on the eight case study SIBs included in the second phase of fieldwork, which were introduced in Section 1 and included launched projects under the Children's Services, Young People, Older People, Healthy Lives and Innovation themes. Three further case studies were involved in an earlier fieldwork stage and feature in the interim report. The advent of the Covid-19 lockdown in March 2020 interrupted service delivery and this section reports on progress up until that point. It also examines the governance and performance management arrangements within the case study SIBs to test the hypotheses set out in section 1.

The section also reports on stakeholder (LCF programme delivery partnership and IFM representatives') perspectives on project implementation and performance management.

4.1 Implementation pre-Covid-19

The eight case study SIBs were all in the relatively early stages of delivering against their outcomes targets when fieldwork was undertaken in July - October 2020. Two projects had launched in summer 2018 giving them over 24 months of delivery before the March 2020 lockdown. The other six had launched between eleven and sixteen months previously, so had been live for between eleven and five months under pre-Covid-19 conditions (with the first lockdown period starting on 23 March 2020).

Given the short period of time that projects had been live, the majority had been largely focused on staff recruitment and induction, refining their eligibility criteria, and identifying and recruiting their service beneficiaries. Projects that were continuing to work to the outcome measures set out in their original plans reported that referrals had been swifter than anticipated, that they were happy with progress and had either met or were confident of meeting early recruitment and engagement outcomes. One interviewee reflected that they had placed a much heavier emphasis on recruitment than would normally be the case and that this had been motivated by the payment trigger. None of these projects had made any changes to their delivery plans pre-Covid-19 although one had been exploring the possibility of recruiting an additional member of staff to support their clients to engage with the relevant services.

4.1.1 Early challenges and changes to delivery and outcomes

SIBs had experienced a degree of challenge during early implementation variously leading to changes in their delivery models, outcome triggers and recruitment targets. Agreeing the detail of contractual arrangements leading to delays in project launch had also been a difficulty.

Projects reported slower than anticipated rates of referral although this did not necessarily mean that they were worried or disappointed with progress. These SIBs had put in place mitigating actions including, for example strengthening relationships with referral partners, revising the inclusion criteria, and extending geographical reach. One project had revised their inclusion criteria to include families that were easier to engage with when they found that their original target cohort was "*very difficult to engage with… and get referrals".*

Another project designed to support young people to access employment, education or training, or voluntary work had revised their outcome measures and re-profiled their payments when it became clear that volunteering did not present an attractive or viable option for their service beneficiaries and that they were moving into employment faster than anticipated. Additionally, some progress was made by young people that was not being captured in the original outcome payments. Further milestones (for example sustaining part-time work) were added to address this, and both sets of amendments were accepted on the basis of the added social value for service users.

The challenge of working across local authorities and managing multiple stakeholders was also reflected in the early delivery stages of one SIB. While delivering well now and meeting referral numbers, the project experienced some initial delays in contracting, leading to timelines being put back. This was compounded by delays to recruitment as these commissioning authorities wanted to be involved in job descriptions and interviewing. Further challenges were experienced in setting up performance monitoring systems due to incompatibility of different IT systems. Despite these setbacks, one local authority had exceeded their original referral numbers and had recruited more staff and re-profiled their outcomes to reflect this.

4.1.2 Stakeholder perspectives on early implementation and outcomes

Where stakeholders were close to individual projects, they were generally positive about their progress to date, with the caveat that there was a mixed picture across the wider LCF portfolio and that the impact of Covid-19 could not be underestimated. Some post-inception problems were described, including referral numbers being over estimated, meaning adjustments to outcome targets have had to be made. Stakeholders also commented that across the Fund projects were not achieving as many early outcomes as predicted so that money was not being drawn down as quickly as anticipated. However, given that outcomes are only a forecast and projects are still in the early stages of delivery this will not necessarily pose problems going forward. Greater concern was expressed for those projects that, due to lockdown restrictions are so far behind with their targets they might never achieve their projected outcomes.

Interviewees felt that it was too early to say whether projects were delivering more efficiently or effectively as SIBs compared to more traditional funding arrangements (e.g. grants or fee-for-service contracts).

4.2 Project governance and performance management

This section draws on the eight case studies included in the final fieldwork stage to summarise the governance arrangements in place for each and explore their approaches to performance management.

4.2.1 Management and governance structures

The eight case study projects reported different management and governance arrangements, including where structures had been developed specifically for the project and where existing approaches had been followed or enhanced to meet the specific requirements of their chosen interventions. While the detail of the governance approaches varied between them, features across all eight projects included:

- The involvement of IFMs – the level of involvement varying from playing a lead role in establishing governance and reporting arrangements to attending meetings in an observational capacity;
- The use of tiered governance arrangements and structures – including the formation of project boards and steering groups with an operational and/or strategic focus;
- Frequent formal and informal arrangements for reporting progress overall and raising issues encountered – including ad hoc telephone catchups between project commissioners and providers alongside more structured weekly, fortnightly or monthly meetings of operational groups; and
- Monthly or quarterly meetings of project boards/steering groups – to discuss progress at the strategic level, and attended by commissioners, providers and IFMs.

Case study projects followed existing governance arrangements established prior to the LCF project, for example for an intermediary partnership-led project where an existing tried and tested governance model was replicated. In the case of one project who were using a licensed intervention, the conditions for using the intervention set out specific governance arrangements (and for the performance data collected – see section 4.2.2.1 for detail). These were additional to the requirements of the commissioner and IFM and comprised monthly and quarterly meetings of a strategic board, with monthly project board meetings being introduced at the IFM's request.

Governance arrangements had changed for some once implementation was underway – for example in one case reducing the frequency of operational group meetings from monthly due to the small cohort engaged with the project. In another case, monthly governance meetings had been replaced with ad hoc discussions as and when required as a result of the Covid-19 pandemic – although conversely one project increased the frequency of governance meetings over the same period.

Overall, the case study projects described that while governance arrangements were more intensive than their usual approaches, they were considered to be manageable, and had already led to identified benefits. These included providers and commissioners reporting having a clearer focus in terms of progress and key issues, issues being raised earlier than they would have otherwise (so allowing countermeasures to be developed earlier), and a feeling that governance meetings were more collaborative than previously and allowed challenges to be discussed openly. Early benefits also included early examples of experiences and learning being shared within project partnerships to inform service adaptation and the adoption of best practice.

4.2.2 Performance management arrangements

The effective management of performance is key to the success of any project, and critical to those implemented under SIB and PbR arrangements. To be effective, performance management approaches should include three steps:

- **Initial performance planning/set-up** – as part of the project design process, and in the case of LCF included identifying, quantifying and characterising the target cohort; establishing appropriate outcomes, indicators and measures; and setting appropriate, measurable and achievable targets/metrics – drawing on the available evidence;

- **The monitoring of performance** – including the collection, analysis and reporting of data on a range of activity, output, and outcome measures, which are appropriate to capture performance and progress towards/achievement of expected outcomes and practicable to collect; and
- **The review and application of performance information collected** – through meetings between stakeholders to track progress, highlight issues and, drawing on additional learning from local process evaluation activities to drive performance improvement and service adaptation to achieve more/improved outcomes for participants.

One of the cited benefits of the SIB approach is, through a shared focus on outcomes, the development of new or enhanced performance management arrangements with support from IFMs and other stakeholders offering additional expertise. The IFM role can be a key one – driving demand for data to ensure that delivery is on track in terms of outcomes and payments from commissioners. This shared focus on outcomes, and improved performance management arrangements, enables providers to better identify and address issues and work collaboratively to drive continuous service improvement. Key to this is the establishment of relevant and appropriate outcome metrics, to ensure the data collected is relevant and of best use to the projects.

4.2.2.1 Performance planning

As Section 3 described, establishing appropriate outcomes, metrics and accompanying financial arrangements were key components of the project development process – and areas that the case study projects found challenging. Although more straightforward where evidence-based, licenced, or pre-existing interventions were proposed, each project recognised the importance of getting their outcomes, and the associated financial model, 'right' under the SIB model.

Projects could also find defining the outcomes and indicators capable of being measured difficult, irrespective of their previous involvement in outcome-based contracting – although those with such experience were at an advantage. As section 3.1 illustrated, projects seeking to establish health outcomes and measures found the process particularly challenging, and more broadly agreeing financial models where multiple commissioners were involved led to additional challenges.

Support in establishing outcomes and financial models was available to projects through several routes, with inputs from IFMs and intermediaries being key drivers. While their level of involvement varied between cases, IFMs and intermediaries could play a central role in outcome definition and financial modelling, particularly if the commissioner or provider were new to SIBs. The development grant was helpful in paying for external support, and as described previously, projects spoke positively about the support they had received.

There were few examples amongst the case study projects where the outcomes and measures selected were challenging, either by not accurately representing achievement or by being difficult to evidence. One provider, working with children fostered, reported that their existing metrics included foster placements stable for 12 and 24 months. However, a 'managed move' between placements could be in the interest of the child, and they were discussing with their commissioner how such moves could be factored into their performance arrangements. This aside, there were few examples where, based on experience of delivery to date, the outcomes and measures selected had proven to be problematic to evidence.

In other projects, the process of developing their outcomes and performance management arrangements had allowed previous shortcomings to be rectified. In the case of one project, the provider led on the development of their performance management system, which improved upon a previous pilot, which had suffered by not being able to collect the necessary data to evidence their outcomes. Although it was recognised that the revised approach brought additional burdens, the project IFM reported being impressed that their approach enabled a more sophisticated analysis of patterns of outcome achievement than would have been possible previously.

Where projects were using licensed interventions, the licensing conditions stipulated the delivery approach to be followed, the outcomes resulting, and the data required to evidence them. This meant that any other outcome measures were collected in addition to those required, and the provider worked with their IFM to develop additional tools and a reporting template, which brought these requirements together. Although this meant the amount of data collected was in excess of what they would collect normally, it had already proved valuable. Using licensed products could also bring wider benefits – for example one project using a licensed delivery approach was able to access other projects following the same approach nationally for benchmarking purposes, share learning and to extend its network. A second project also benefited from access to an established management information system and contact with other providers delivering the intervention.

In a final example, one case study provider and commissioner benefited from a pre-existing set of outcomes, measures and tools developed for other projects. As the approach had been followed locally in advance of the LCF award, few changes to their performance management system were required.

4.2.2.2 Performance monitoring

Each of the eight case study projects had performance management systems in place, which were either variations on existing approaches or developed for the project. Some systems were yet to be tested, in that no outcomes had been secured, or were intended to be, at the time of interview, and the experience of projects who had launched 12 months or less at the time of interview had been set-back by the Covid-19 pandemic.

Each project had developed their outcomes, established suitable measures, and designed and mobilised their data collection approaches at the time of interview. Arrangements for the reporting of achievement, and challenge, included discussions at project steering or Board meetings, which took place on a monthly or quarterly basis. These meetings were attended by the provider, commissioner and the IFM, although there were cases where specific ‘performance review’ meetings were established to allow a tighter focus on performance issues. Meetings would include presentations of the performance data collected, including any analyses undertaken, for discussion and to prepare action plans for improvement if required. Attentions had focused on early outputs or progress towards outcomes, where full outcomes were yet to be achieved.

Data collection

The case study projects reported collecting a wide range of data, and using a range of data collection tools, for performance management purposes. Data collection tools used included:

- Tools and systems tailored or developed specifically for the LCF projects – either completely new, or where existing tools had been revised or enhanced to ensure fitness for purpose;
- Projects also reported using tested scales to collect data – including one project which used the Strengths and Difficulties Questionnaire to assess emotional wellbeing and relationships, and other self-esteem measures, built into a bespoke questionnaire. Other projects also used existing measures, such as the Ages and Stages questionnaire, with the children they were working with;
- The use of proprietary tools, such as the Outcomes Star, which were tailored for use with the specific project target groups – for example in one project being used to collect data on children's attendance at school, critical incidents and safeguarding issues; and
- Where projects were using licensed interventions, these stipulated the use of specific management information systems and data collection tools – in one case this requirement was combined to include specific new metrics designed by the commissioner and the provider, as well as data from pre-existing participant assessments.

The overall ability of data collection approaches to evidencing outcomes can only be tested once outcomes are achieved – which can be up to three years in the future.

4.2.2.3 Reporting and reviewing performance

As described in section 4.2.2.2, performance information was reviewed at either project steering group or board meetings, which were attended by representatives of the project commissioner, provider and IFM. Across the eight case study projects these meetings took place monthly or quarterly. In all cases less-formal conversations around performance took place between commissioners and providers more frequently, sometimes through set weekly 'catch-up' calls.

Although the scale and nature of their input to project governance arrangements varied, the IFMs interviewed in the case study fieldwork reported that the arrangements for sharing and reviewing performance information were robust. In addition, the forums in which performance information was discussed had brought additional benefits, where individuals from statutory and voluntary and community organisations brought different experiences and perspectives to the challenge of improving performance to maximise outcomes.

In most cases providers reported that while preparing the required performance data on a weekly or monthly basis could be arduous, particularly when they had been used to quarterly reporting arrangements, they were beginning to experience the benefits. These included the ability to have more open and constructive discussions with commissioners which ensured the data they provided to commissioners was more meaningful. While early challenges were reported in establishing and understanding different organisations' interests and drivers for involvement in the projects, the process of working through these had led to enhanced commitment across the project partnerships.

In cases where cohorts were small and outcomes not expected for some time, participant case studies were used in progress reporting to identify early achievements or individual challenges, and which were considered helpful in bringing (participants') stories to life. A second project also used participant case studies to demonstrate achievement, but also to help identify blockages in different parts of the elderly care system which represent obstructions to their progress.

Additional areas for development were also recognised by the projects, to be addressed as implementation develops and add value to the monitoring data already collected. For example, in one project, steps taken and proposed to extend the range and quality of data collected include:

- Undertaking audits of care plans have been completed to assess their thoroughness;
- Collecting feedback from local hospitals and district nursing teams - to establish how the service is reducing staff pressures;
- Reviewing the health records of service users pre- and post- service to identify where early interventions have been beneficial; and
- Collating information on the impact of home modifications (such as avoidance of slips, trips and falls) and cost savings resulting.

4.2.2.4 Experiences of performance management systems development and early implementation

Case study project providers talked positively about their experiences of the development and early implementation of their performance management arrangements, describing the benefits outweighing any additional burdens placed on them or their partners/stakeholders. Negative views were also expressed by providers in terms of the extra performance management arrangements that have been put in place, as one partner commented: "*The SIB added a layer of governance that for a third sector organisation takes time, and we get no more from it*". (Delivery partner).

Providers and partners recognised that there were additional performance management requirements compared to their more usual contract arrangements, but had concluded, even in the early stages of implementation, that the extra burden was worthwhile or at worst manageable. In other cases, no additional burden was experienced, including one project who compared their LCF experience favourably to that with a previous SIB, particularly in terms of performance management meetings.

A view across the case study providers, and echoed by their commissioners, was that meetings which discussed project performance are more collaborative and open than in other contracts, notably about discussing challenges. As one provider described:

"What's interesting with this project is that our commissioners don't call us to a contract meeting, what we do is we hold this collaborative steering group and that's interesting because we are presenting and discussing our performance but we're having a really open dialogue about it. I think it makes the difference in terms of the conversation we have, we're very open, and transparent, we talk about the difficulties, the bits that we're really pleased about, and we talk about what we've learned - I never thought we'd be talking about that with our commissioners." (Provider representative).

The reasons for these more collaborative approaches, where reported, were not always clear. On one level, the shared focus on outcomes was felt to have made their achievement more of a ‘shared endeavour’ than in previous projects, with commissioners taking more of an interest and being more directly involved in their management. These relationships could take time to develop, and challenges were faced when partners were new to each other and time was needed to understand their respective interests and drivers for involvement. As one delivery partner described: “*we all come from different worlds, it took a couple of months to see where people were coming from and to create a strong partnership. But now, the partnership between the local authority, the provider and [the IFM] is so strong – especially during lockdown, we all felt supported at the time, and it’s been very powerful to see*”. (Delivery partner).

4.2.2.5 Early and emerging benefits

The case study interviewees described a number of early benefits resulting from their performance management approaches, although it must be stressed that the majority were in the first 12-18 months of delivery and for others no outcomes had been claimed (or had expected to be so).

Examples were found where, even in the early stages of implementation, decisions had needed to be taken on targeting and engagement rates identified from the analysis of their performance monitoring data. For example, one project refined their inclusion criteria and hence extended their target group.

The benefits of the increased performance management focus include opportunities to **offer support to the delivery team, to problem solve and to think through issues collectively**. As one provider explained: “*All of the stakeholders come together, they bring their experience and ensure there is value added from the different stakeholders – there is regular problem solving as well as discussion on what else we can do to improve and do better*”. (Provider).

One perhaps unexpected benefit, which aligns with the shared outcomes focus and feelings of common endeavour described above, was on **how the project lead providers work with their delivery partners**. This is a point when provider-partner relations may become strained under a SIB model, where additional data collection responsibilities are cascaded from the provider to their supply chain partners. It appears that positive experiences of working jointly and transparently to set targets, and the more collaborative provider-commissioner relations fostered by the shared outcomes focus, can help deepen relationships between partners.

In one example, the provider-partner relationship was strengthened by the provider **supporting their partners to improve their data collection systems** to meet the needs of the SIB. This was seen as a direct benefit of the initial investor funding provided, which allowed the project to expend resources on their partners to improve their data collection, driven by the importance of evidencing outcomes to receive payments. The provider expressed doubts that their delivery partners would have been able to fund the improvements themselves, while also doubting that good quality data would have been received without it.

Elsewhere the performance management arrangements had led to wider impacts on partnership relationship. One project described how they **no longer wait for a performance review meeting to raise concerns** with commissioners and noted that now conversations tend to happen naturally as issues arise. From the commissioner perspective, it was noted that more frequent (monthly) meetings have helped: **maintain a focus on the project**; **discuss challenges around project delivery during the Covid-19 pandemic and formulate responses**; and has enabled the project to **respond to emerging issues more quickly** than would be have been possible previously.

Finally, the providers noted that the SIB has allowed them to **provide more meaningful monitoring data** to commissioners. In more traditionally funded service models, providers noted that commissioners want data on the quantity of service users assisted, and that the resulting service goals are not always user centric. The LCF arrangements allowed staff to focus their attentions on working to achieve for the best possible outcomes for the people they serve.

4.3 Concluding comment

4.3.1 Experiences of early implementation

The research focused on the implementation of the eight case study projects prior to the Covid-19 pandemic in March 2020, which were in the early stages of delivery and so had focussed their attentions on preparatory activities and identifying and recruiting participants.

Case study projects reported experiencing challenges and having to revise their delivery models, outcomes, and recruitment targets. These related to slower than expected referral rates, where mitigating actions included strengthening relationships with referral partners and extending geographical coverage. In another case, outcome measures and profiles were revised after volunteering emerged as a less popular option and participants were found to move into employment more rapidly than expected.

Stakeholders were generally positive about the progress made by the projects they were involved in but stressed that the impact of Covid-19 should not be underestimated. Stakeholders reported that beyond the case study projects, referral numbers were over-estimated and that early outcomes were taking longer to achieve. However, it was too early to compare their effectiveness to projects delivered under more traditional arrangements.

4.3.2 Governance and performance management

The review of performance management approaches focussed on the eight case study projects featured in the final evaluation fieldwork, and explored the hypothesis that involvement in a SIB/PbR intervention can lead to improved performance management, both as an outcome in itself (through a shared focus on outcomes) and in terms of influencing outcome achievement (through improved performance management systems and the capacity to use data to drive performance).

The conclusions of the evaluation are presented in Section 6, but headline findings include:

- The case study projects reported changing their performance management approach in some way as the result of their LCF award – with those not doing so being seen to have appropriate systems in place as a result of delivering similar activities previously, or of working under previous outcomes based contracts and SIB arrangements previously.

- These changes ranged from increased data collection and the more frequent reporting of performance to increased analytical capabilities but brought a range of wider benefits which may be attributable to the shared focus on outcomes across the project partnerships.
- While it is too early in project implementation to comment on the effectiveness of the systems in place, the majority of providers, commissioners and IFMs were satisfied that their arrangements were robust and fit for purpose.

5 The impact of Covid-19 on SIB project delivery

This section brings together evidence from the eight SIB case studies and stakeholder interviews to explore the impact of the Covid-19 pandemic on project delivery. It examines the response of the LCF programme delivery partnership to the crisis and the issues and challenges for SIB projects of working under pandemic conditions. The section provides an exploration of how delivery approaches have been adapted to meet client needs within the context of lockdown restrictions and considers the longer-term challenges of the pandemic for projects.

5.1 Responding to the Covid-19 crisis

With the onset of the Covid-19 lockdown and social distancing measures, LCF SIB projects faced the challenge of delivering their services under unprecedented conditions. In recognition of the difficulties that projects potentially faced in achieving their outcome targets the LCF programme delivery partnership moved swiftly to design and offer three contractual options to individual SIBs. These were:

- To continue with outcome payments;
- To move to an activity-payments arrangement based on payment equivalent to the originally modelled median outcomes scenario (outcomes still needed to be recorded but payments depend on a service fee rather than on outcomes); or
- To pause delivery until circumstances allowed delivery to continue or project to launch

Interviewees reported that the priority - for both the LCF programme-delivery partnership and providers - was to protect service beneficiaries and that this should be the basis for whichever interim payment arrangement was agreed. Decisions were broadly split evenly over the three options with responses largely contingent upon the length of time projects had been delivering and the degree to which services had been able to establish relationships with clients. Those choosing to pause were largely projects that were either yet to launch or in the very early stages of service set up and implementation and not then working with clients. Those choosing to continue under outcome payments felt this would be the best financial option and were, to a greater or lesser extent, confident that they would be able to achieve specified outcomes despite the need to adapt delivery due to lockdown restrictions. Finally, projects that chose to move to activity payments were those that were not confident that outcomes could achieved, given the altered circumstances. Projects were asked to submit revised delivery plans detailing how outcomes would be met in the context of the pandemic and, where applicable (for paused projects), within the shortened timeframe available to them to deliver. Support was offered to projects throughout by the Community Fund who worked intensively with individual projects to ameliorate the challenges posed by the pandemic and to try to ensure optimal arrangements were in place.

5.2 Project experiences and adaptations to service delivery

5.2.1 Contract options

Of the eight case studies included in this round of fieldwork three continued with outcomes-based payments while five moved to an activity-payment arrangement.

Negotiating this settlement was relatively straightforward and consensual but there could be challenges in getting agreement across all partners.

Projects continuing on outcome payments were either confident of achieving referrals and outcomes or investors were willing to shoulder some of the financial risk. For example, one project opted to continue to deliver on an outcomes-based arrangement because practitioners had already built strong relationships with their existing cohort and planned to maintain engagement, albeit through different mechanisms throughout the pandemic. A second project also stuck to an outcome payment- based arrangement throughout the pandemic as sufficient referrals continued to come into the service. A third SIB chose to continue on outcome payments but expected to receive lower payments than originally anticipated.

The remaining case study projects moved to median-based activity payment arrangements. All reported that this option was considered the best fit and least risky option and reflected that payments would provide stability through a period of uncertainty while reducing the pressure to deliver in the short term. One of these projects was primarily due to receive payments for numbers engaged rather than outcomes and was confident that they could meet targets for these. Another project had been established under a social investment loan model, meaning the provider carries the project risks. One had reservations about meeting targets in 2020 but was anticipating reprofiling their outcome metrics going forward.

Two projects were concerned that the original outcomes targets might not be met due to the impact of the pandemic. For one project that works to employment targets the causes of these concerns were twofold: firstly, the onset of the pandemic saw a substantial reduction in new engagements as referral partners within community mental health teams were redeployed; secondly the huge reduction in open job opportunities and increased competition for jobs meant that it would be difficult for the target cohort to get into employment quickly. For another project that works with particularly vulnerable clients the principal concern amongst commissioners was to ensure the service would be delivered regardless of outcomes achieved to end 2020. They feared that under lockdown when home visits, family visits and other support services would be limited or non-existent, the target group would be left vulnerable and unsupported. Moving to median-based activity payment arrangements meant that the pressure to achieve the original outcomes was relieved and the project was able to flex the support offered to clients in a way that met their particular needs under lockdown restrictions.

5.2.2 Referrals and recruitment during lockdown

Interviewees in all case studies agreed that it was important to continue to provide the best possible service to existing clients. In terms of new referrals projects had variously:

- Maintained their current caseloads and suspended new referrals. For example, one project reported that children and young people already matched and in a foster care placement could continue to live with their families but that no new matches could be made during lockdown due to shielding and other restrictions. Two providers reported that suspending new referrals had enabled staff to provide existing clients with more intense support needed given the additional stress and pressure people were experiencing under lockdown.
- Seen a reduction in the numbers of referrals – including where recruitment was in large part through initial face to face contact in another setting or where

referrals came from health care settings and staff were deployed to Covid-19-related work. One project that would normally recruit families coming into settings such as children's centres reported that they were not able to do this under lockdown and that there may have been families who were "falling through the net" as a result. Interviewees reflected that there was likely to be a surge in demand for early years support as a result of the pandemic and once lockdown restrictions were lifted.

- Maintained the level of referrals or seen referrals increase. For example, one project initially saw a slight dip followed by a return to the earlier rate of referral.

5.2.3 Moving to telephone and online support

All case study projects adapted their delivery so that support was offered either by phone or online. This brought with it various challenges depending on the nature of the service provided, the impact of the pandemic on the wider policy context, the profile of service users and the numbers engaged.

Two Projects delivering licensed interventions had needed to undertake lengthy negotiations with their licensing organisations to enable them to adapt the delivery approach to virtual support. For these projects fidelity to the prescribed delivery model is a condition of the license to implement. One project had to pause delivery at the beginning of the crisis and also reported that the national licensing body had informed them that any outcomes achieved during virtual delivery could not be used as part of their evidence base for the project.

Others reported that not all their clients had access to online facilities and hence spent time and resources in securing the appropriate equipment on their behalf. Projects had made applications to national and local charities for funding to purchase tablets and other IT equipment to ensure clients were able to effectively engage with delivery teams.

Providers found it challenging to engage appropriately with their client group and to build relationships over the phone or on online. For example, one project provides intensive (pre)employment support to young people aged 16 to 24 with Special Education Needs (SEND), disabilities or additional needs who face complex barriers to employment. During lockdown careers coaches found it challenging to engage with young people and to build relationships with them over the phone or by video compared to their business as usual face-to-face delivery method. This was particularly the case where coaches were making contact with a young person for the first time, this being easier where they had an existing relationship and trust had been established. As lockdown measures were eased, the project restarted limited face-to-face meetings with clients with the greatest need, although this may change as new lockdown restrictions come into effect.

Projects have also had to be creative in finding ways of delivering aspects of their programmes that cannot be delivered online. For example, one SIB project delivered through a licensed intervention must deliver developmentally appropriate books and toys to families on a regular basis as an integral part of the programme. The delivery team got round the problem with the idea of 'contactless delivery'; project staff would deliver a month's worth of toys to families (at a distance) and ask each family to only open the toy/book for that week on video.

Other projects have found that they have needed to adapt the content and range of support that they offer to meet the new challenges thrown up by the pandemic. The following SIB project provides an illustrative example.

Case Study 1

This project provides individualised school-based support, delivered by link workers to children aged three to 18 years old who are at risk of underachieving.

The project is working on median scenario-based activity payment arrangements. Milestones for this year are primarily about engagements. This suits them well as it provides flexibility to work under less pressure and/or risk in case they work with fewer young people than projected.

As a result of the pandemic, the delivery model has moved to virtual engagement between link workers and young people and their families. Under lockdown the role of the link workers moved to a welfare crisis response role. Link workers have an average of four meaningful check-ins with families each week. This has required refinements to their case management system so that engagements can be recorded differently (by type, whether it was successful etc) and a new reporting template was created which is shared with schools, so that schools have real time updates on contact made and concerns etc on a child by child basis. Link workers have also provided emergency assistance (primarily in the first weeks): organising food bank vouchers, supporting families to plan funerals, arranging for care packages and shopping to be delivered. As the lockdown progressed, Link Workers further adapted their role to support home learning. The delivery team have also been mapping children's needs and available sources of support in order to enable delivery partners to further support with home schooling. This has involved putting in place robust safety measures including revised safeguarding processes, risk assessments for platforms being used, and information about quality assurance processes.

Interviewees expressed concerns about whether young people will be on course to improve their outcomes at a later date; primarily due to the impact of the pandemic on children and families in general e.g. their motivation to work or sit in front of a computer is likely to have decreased. They have also seen the commitment of families to keep going, or to keep trying new things, significantly wane. They speculated that this might mean the need to renegotiate the rate card at a later date.

5.2.4 Impacts of the wider social and policy context

The impact of pandemic on the wider social and policy context has also had knock on implications for case study SIBs to a greater or lesser degree. For example, one project that is aimed at preventing homelessness was severely impacted by the government's 'Everybody In', and subsequent Next Steps Accommodation Programme[30], initiatives to provide housing to homeless people under lockdown and beyond. Being unable to move people in the private rented sector at this point, due to logistical difficulties and the level of face to face support required, the project responded by shifting its focus from prevention to crisis intervention, by providing additional support to people temporarily housed in hotels and delivering food parcels, for example.

The impact of the pandemic on the employment market both during lockdown and going forward has had, and is likely to continue to have, a major impact on projects for whom employment outcomes are central. Interviewees from both these projects reported that as employment and volunteering opportunities have diminished with a

[30] 'Everybody In' was a central government initiative during the first lockdown period to provide hotel and emergency accommodation to people sleeping rough or living in shared homelessness accommodation. Next Steps Accommodation Programme provides financial resources to local authorities to prevent people from returning to the streets

concomitant reduction in outcome payments, there is likely to be the need to re-profile outcomes in future, as in the case study example below.

Case Study 2

Since the pandemic this case study project has moved to median scenario -based activity payment arrangements. Interviewees agreed that COVID-19 has and will continue to have an impact on the project, but also highlighted that the service will play an important role in supporting individuals back into employment during the recovery period.

A key challenge for the team has been a reduction in new engagements due to the redeployment of healthcare staff and absences within community mental health teams (estimated around 40-50%) which had a knock-on effect on client contact and engagement.

The team has moved to virtual and remote working with all support sessions delivered online. There have been some challenges with this. For example, clients (roughly 5%) did not have access to a computer/broadband. The provider had to try and get them the equipment so they could engage. This required applying for funding through the National Lottery which reportedly took a long time to access.

Nevertheless, on the whole, virtual delivery has worked well, and, in some cases, the level of engagement has actually been higher than normal due to clients not needing to travel. As such, the provider anticipates continuing with some virtual delivery elements going forward as part of a blended model of delivery.

The pandemic has had a major impact on the employment market with the number of open job opportunities significantly reduced. Increased competition for jobs will make it difficult for the target cohort to get into employment quickly. Although the providers have still manged to achieve job outcomes and are maintaining relationships with employers, it is unclear how or when the market will improve. Interviewees speculated that the model may need to pivot away from a strong employment focus if economic conditions do not improve. In the short-term, the provider was focused on maintaining/increasing employer engagement, thinking creatively about job opportunities, re-introducing their service offer to key stakeholders (e.g. the local Work and Health Programme, community organisations, etc.) and continuing to support clients. In the longer term interviewees anticipated that there will need to be discussions about flexing how they define outcomes (e.g. reducing numbers of job starts and more focus on education and job-readiness) and whether there needs to be a reweighting of payments to incentivise employment specialists to engage and move new clients through the service.

5.2.5 Staff support and training

In all case studies delivery teams had moved to remote working with offices closed during lockdown. Projects had moved to online internal and team communication and the importance of effective communication was recognised as contributing to maintaining staff function and wellbeing. Projects demonstrated flexibility in meeting staff needs in relation to childcare and home schooling and other caring responsibilities. Interviewees reported that staff have enjoyed a different work life balance gained from working at home and that it was likely that a more blended working pattern would continue into the future.

A number of projects reported the need to amend operational policies in relation to safeguarding in the context of supporting children and vulnerable adults online. Others reported that the move to virtual client support had necessitated some staff re-training as delivering support in this way required a different skill set to that needed when engaging face to face. One example of this was the need to retrain staff to enable them to maintain the attention of small children when online.

5.3 Partnerships and support

Providers and commissioners were positive in their feedback over the support they had received from the LCF programme delivery partnership over the Covid-19 crisis. They reported satisfaction with the levels of communication and reassurance from the team in terms of changes to their funding models and appreciated the flexibility on offer.

IFMs also felt that the different stakeholders within the delivery partnership had been supportive, showing understanding of delays and the need for flexibility, including the need for extended timeframes to reach agreements and get formal sign off on changes to payment terms.

In terms of local communication and collaboration there was a view amongst interviewees that lockdown had generally had a positive impact on partnership working. Interviewees reported that communication between commissioners, IFMs and delivery partners had increased over the lockdown period reflecting a desire to come together to address the immediate challenges presented by the crisis including reconfiguring services, amending contracts and re-profiling payments.

IFMs in some SIBs reported that they had supported commissioners during the pandemic by providing advice on outcomes options and in one case liaising with partners when the commissioners were unable to do so due to pressures on other services. Commissioner interviewees from one project highlighted the role played by the intermediary in working out the changes to the financial model and the contractual arrangement to ensure this was deliverable and appropriate.

The following case illustration provides an example of how one project worked creatively across all stakeholder groups to ensure the service remained on track to achieve its target outcomes.

Case study 2

This project provides intensive support to mothers who have experienced multiple care proceedings. It involves delivery of a licensed intervention that aims to enable mothers to effectively parent any future children as well as supporting them to move towards employment, secure stable housing and improved engagement with other services such as mental health, domestic abuse, and substance misuse services.

During lockdown, all staff moved to home working meaning it was impossible to undertake home visits or provide the face to face practical support that is integral to the programme. However, the team worked creatively to adapt their service model and continue to support clients.

All stakeholders acknowledged how their teamwork, strong partnership and positive working relationship facilitated the project team to keep women engaged and continue delivery during lockdown and beyond as restrictions began to lift. Each partner made significant additional contributions at this time:

The national body[31]provided ongoing support to help continue delivery creatively and innovatively. This included relaxation of fidelity measures, extensive online support to practitioners, moving training online and providing funding to practices to purchase Wi-Fi enabled devices for clients to ensure contact with practitioners and other services could be maintained.

IFMs provided the delivery team with training in managing remotely and created links between the team and another similar project to share experiences and learning. They also

[31] The national body supports the development of local practices, drives it’s strategic development and ensures fidelity to the original model

established a link with a specialist domestic violence/abuse organisation who could provide information and guidance to practitioners.

The providers worked creatively to adapt their service model to continue to provide a service to women who are let down by services. All interviewees acknowledged the strength of the delivery team as a key success factor.

The commissioner recognising the importance of continuing to provide contraceptive services to the client group were able to establish access to sexual health clinics for the women on the programme.

5.4 The impact of being a SIB and moving back to the 'new normal'

Stakeholders across all eight case studies felt they had responded well to the pandemic and its associated restrictions demonstrating the ability to creatively adapt their delivery models to ensure they delivered the best service possible to their clients. However, while freedom to determine how best to meet outcomes is a characteristic of SIB delivery, in the context of Covid-19 it is difficult to ascribe this flexibility to the SIB element of projects. The key motivating factor for partners was clearly to continue delivery to service beneficiaries at a time when people were additionally vulnerable and in need of support and to do this in the most effective way possible. The strength of project partnerships was a key facilitator in achieving this particularly where detailed delivery models were prescribed through a licensing organisation and relaxing fidelity to the model was difficult to negotiate.

For one project the SIB element was described as constraining factor in the ability to flex. However, it was also felt that this had been protective, helping the service to deliver with more rigour and fidelity during the crisis, compared to similar services delivered under traditional contracts.

"A drift to lower performance would be a risk if we still didn't have an outcomes focused contract and a SIB in the background. Arguably, we might have redeployed more aggressively if that were the case, by moving staff around to different ways of working…so pros and cons to that a limiting factor to how much we'd redesign through a period like this… but it stops the temptation for LAs to take models and dilute them… so the SIB model is a protective factor to the fidelity of IPS and this is what delivers the outcomes" (Intermediary)

The need for all partners to be flexible and engage in discussions over how delivery can be adapted in situations of crisis was a key point of learning for all projects. Building in flexibility around outcomes and payment measures was integral to this. The key consideration for a SIB during the crisis was clearly the potential risks posed to future project ability to achieve outcomes and hence deliver against the financial model. Where the pandemic has had (and continues to have) a major effect on the wider social and policy environment considerable uncertainties remain with regard to how outcomes will be achieved. This is particularly the case for projects that are working to employment and/or education outcomes given that the pandemic is highly likely to have long-term impacts on both the job market and ability of schools to function as normal. Interviewees from these projects reported that it was very likely that they would need to re-profile outcomes and their associated payments going forward but remained uncertain as to how this would look given the evolving national picture.

While projects greatly appreciated the opportunity to flex their contractual arrangements, there remained uncertainties for those who had moved to median-based activity payment arrangements about how they would transition back to payment for outcomes should they be required to. Interviews with national stakeholders suggested that this was also true for other projects that had moved away from outcomes payments and that the transition back to being a SIB had “not been designed in”. These stakeholders reflected that projects may stay on median scenario-based activity payment arrangements rather than outcome payments. Depending on how the pandemic and further restrictions pan out, some (including those that have paused) may only end up delivering on payment for outcomes for a few months, raising the question of how they might be judged as SIBs going forward. A further question was raised with regard to the impact of median scenario-based activity payment arrangements on longer term payment for outcomes, and the potential problem of double counting of outcomes for activity delivered while under the former arrangement. Interviewees at the LCF programme delivery partnership reported that they were currently in the process of working out how to mitigate the impact of revised contractual arrangements by revisiting outcomes and remodelling the financial contribution of the LCF to enable projects to deliver. It should also be noted that the input from the Community Fund during this period was greatly appreciated by case study interviewees who felt reassured and well supported throughout.

5.5 Concluding comments

At the time of writing the pandemic is far from over; lockdown restrictions continue to be applied on an evolving basis and at varying levels of intensity so that establishing a ‘new normal’ may be an extended process. This implies that SIB projects will need to apply similar levels of flexibility to those demonstrated during the first lockdown period, and that the measures put in place will have currency into the future. Case study projects reported that they would continue indefinitely to apply some of the strategies they had developed during lockdown including the virtual delivery of more light touch support, online communication both internally and externally, a degree of remote working and providing skills training online. Key lessons were the importance of flexibility, adaptability and a collaborative approach involving all partners in decision making.

It seems highly likely that restrictions at the national and/or local level will continue to impact on what the LCF SIBs are able to deliver in the medium term. It also seems inevitable that the Fund will need to continue to respond flexibly to the pandemic restrictions for a longer period than could have been expected and give further thought to how the contractual and payment variants introduced may be modified going forward, while helping ensure expected outcomes and impacts are achieved.

6 Conclusions and lessons learnt

This final section presents conclusions drawn from the evaluation evidence, with key learning points that might be applied to future SIB initiatives. The conclusions are structured according to the overall aims and objectives of Strand 1 of the evaluation and also in reference to the specific hypotheses set out in section 1.

6.1 Conclusions

As described in Section 1, this evaluation addresses a set of research questions grouped under the three themes set out in Section 1.2.2, namely to identify what worked well and what worked less well in the implementation of the Fund, whether it is on track to achieve its aims and objectives, and the impact of the Fund on the SIB market.

These themes collectively encapsulated the objectives of the LCF and provide a structure for our conclusions, progress against each is set out below. Objectives three (on public sector efficiencies generated) and six (providing better evidence of the effectiveness of the SIB mechanism) were outside of the remit for this study, and in some cases the projects had not been operating for sufficient time to allow definitive conclusions to be drawn.

In addition, the final fieldwork round also explored three fund-level hypotheses or potential mechanisms, proposed by DCMS, which may result in positive change and so contribute to the achievement of the individual project and wider Fund objectives. These were that:

- **Strong performance management of services is beneficial in the pursuit of outcomes** – with the shared focus on outcomes leading to a greater emphasis on effective performance management, which then drives performance and an ethos of continuous improvement.
- **The LCF has led to growth in the scale of the social investment market** – where the LCF package of top-up funding and support leads to an increased number of IFMs investing in SIBs, both directly and through dedicated funds.
- **LCF builds the number and diversity of providers with PbR experience** – the LCF offers providers and commissioners delivering PbR/outcomes-based contracts for the first time an opportunity to learn by participation, while extending the experience of those operating under such regimes before.

Below we set out our conclusions, first providing an overview of the key findings regarding the overall implementation of the Fund and the application, award, and early implementation stages, followed by a review of progress against the relevant objectives of the Fund.

6.1.1 What has worked well and less well with implementation of the Fund?

The LCF has seen the launch of 29 new SIBs to date with a further three in the pipeline. The LCF has successfully supported the involvement of the VCSE in delivering SIB projects with 22 of the 29 launched SIBs delivered by a VCSE provider. Successful SIBs are characterised by strong relationships between commissioners and providers and between both these groups and IFMs. In addition they are predicated on the basis of a set of objectives that align with easily measurable, binary outcomes; a well-defined target group with clear criteria for service eligibility; alignment with commissioners' strategic priorities; and a financial model and contractual arrangement that are amenable to all parties.

Partners in the case study SIBs were generally positive about the progress made by projects and early challenges with referrals and outcome measures had, by and large, been resolved quickly and not compromised achievements to date. The Covid-19 pandemic and associated lockdown restrictions have clearly had a major impact on launched, and due to launch, SIBs and that DCMS reacted swiftly to the challenges faced with a flexible contract offer. Projects have felt well supported throughout and in turn responded creatively by adapting their delivery models to put clients at the forefront.

6.1.1.1 Key enablers

- **Funding for projects that would not otherwise be available:** A key reason for applying to the LCF was that it offered an opportunity to fund an initiative that, in the main, would not otherwise go ahead. The top-up element was as important as the up-front investment from IFMs, which moves some of the financial risk of a payment by results contract away from the provider. However, providers were able and willing to carry an element of the risk themselves.
- **An appetite and enthusiasm for developing an outcomes-based approach:** SIBs could be led by applicants who showed a strong appreciation of the benefits of an outcome-based approach and/or were interested in developing new ways of commissioning services. Added to this is the recognition that a SIB contract provides flexibility to the provider to change and innovate delivery to ensure they are able to meet the outcomes. There was evidence of this emerging in the early implementation of case study SIBs and in the response of some projects to the Covid-19 lockdown.
- **The development grant:** The development grant has enabled applicants to secure the support needed to develop their projects where time, resources and expertise were lacking. The majority of applicants would not have been able to proceed with their applications without the grant, which was principally used to develop the technical aspects of their SIBs but also to support stakeholder engagement and the more relational aspects of SIB development. The fact that the development grant was so critical however, underscores the limited capacity and ability of both commissioners and providers to engage in the process of SIB development even where they have previous experience.
- **The strength of the LCF programme delivery partnership:** From both applicant and stakeholder perspectives, the LCF programme delivery partnership has been a key strength of Fund implementation. Stakeholders described a collegiate partnership that worked well to establish a shared approach to problem solving and responding to applicant's support needs. There is clear evidence that lessons learnt in the early stages of implementation were fed in to improve later stages. In particular the quality, consistency, and type of support on offer to applicants has shown improvement over the life course of the Fund. Overall interviewees in Phase 2 fieldwork were more positive in their feedback with respect to support received than in Phase 1. In recognition of the highly individual nature of each SIB and fact that success is contingent upon local contextual factors, the LCF programme delivery partnership have evolved a more tailored approach providing applicants with an intense level of support that has been increasingly focused on fostering good stakeholder relationships, co-

production and communicating the SIB message. This has been complemented by the online technical guidance and toolkits developed by the GO Lab together with the Community Fund and the opportunities for peer networking facilitated by the team.

- **A focus on learning:** The LCF programme delivery partnership has sought to foster a culture of learning both internally in terms of adapting its approach and externally in terms of creating learning networks and building the evidence base through national and local evaluations. The Fund was specifically designed to enhance the capacity of local commissioners and providers to develop a SIB and has not been prescriptive in terms of standardised rate cards. Whether successful or unsuccessful, applicants reported that they had yielded considerable learning from the development process notably in terms of improved financial intelligence and higher quality data about potential service beneficiaries that could be used to inform better future targeting and intervention.
- **Responsiveness of the LCF and SIB projects in the face of Covid-19:** The LCF delivery partnership was recognised and congratulated for responding swiftly and flexibly to the Covid-19 pandemic. The eight case study SIBs included in this study were positive about the opportunities offered through the three Covid-response payment options and spoke well of the support on offer from the LCF programme delivery partnership. In turn providers had adapted their services well in response to lockdown restrictions and in general it was felt that partners had prioritised the needs of clients over financial considerations.

6.1.1.2 Key challenges and barriers

The LCF experienced a relatively high attrition rate, with just 15% of the expressions of interest submitted receiving final approval and moving to launch. To date £43,454,262 of the originally announced total of £80m has been allocated to the 29 projects launched so far. In addition, at the time of writing, three projects remained in the pipeline to launch in 2021, and additional funding is due to be awarded to projects already launched to extend their activities[32]. While the LCF programme delivery partnership has developed a comprehensive and well-received package of support to applicants, the high attrition rate reflects the complexity and length of time it takes to set up a SIB. The challenges faced by applicants were:

- **Securing and maintaining stakeholder engagement** over the time taken to set up a SIB. Provider-led bids in particular struggled to move forward and a key reason for this was their inability to secure concrete commissioner commitment. Providers undertook a huge amount of relationship building and brokerage which could ultimately result in commissioner withdrawal and leaving them feeling they had wasted a huge amount of time and resources. A key learning point for the LCF programme delivery partnership has been the need for enhanced scrutiny of bids at an earlier stage to ensure evidence of credible commissioner commitment. In addition, consideration should be given to allowing future

[32] Since the writing of this report, the amount committed to LCF projects and administration costs has increased to £62.8m. This includes funding committed to projects through further allocations, £5m to Greater Manchester City Authority as part of their devolution agreement and an additional £3.99m to the Refugees Transitions Outcomes Fund, committed in March 2021 (a cross-government fund helping newly granted refugees in the UK). The overall fund spend of the LCF was reduced to £70m from £80m as part of the DCMS's budget negotiations in September 2020. This does not affect the ability to deliver existing commitments to projects in the Fund.

development grants to include the cost of provider and commissioner time to develop applications.

- **Moving from in-principle offer to final set up.** On a closely related point, a key challenge for applicants was moving from an in-principle offer to the final set up stage. It was at this point that both the viability of the SIB model and the commitment of commissioners was tested. This stage required intense resourcing and time commitment including support from the delivery partnership. Interviewees noted that the development grant had been spent by this point and that future initiatives should consider whether payments can be staggered to ensure resources are available for final set-up activities.
- **Defining, agreeing, and measuring outcomes:** Challenges in outcomes were experienced on a number of levels including reaching consensus between stakeholders; determining outcomes that could be directly attributable to the intervention and realisable within the timeframe of the intervention; and identifying outcome frameworks where the existing evidence base was limited. This was particularly the case for applications proposing broad-based complex interventions, involving multiple commissioners, where challenges existed around attribution and causality, and questions as to who should pay for which outcome.
- **Determining cashable savings:** Cashable savings were difficult for applicants to determine. Both stakeholders and applicants felt there was too much emphasis on this at the in-principle stage and that applicants were held to account on early calculations.
- **Contract negotiation:** successful projects reported challenges in contract negotiation, which could be a protracted and time-consuming process. Reported difficulties included a lack of experience in PbR contracts; negotiating a contract that was acceptable to all partners; and challenges with assessing the legal footing of and getting agreement to use central government contract templates. In a couple of the case study projects, difficulties in getting contracts signed off led to providers delivering at their own risk.
- **Unwieldy application process:** The application process was frequently experienced as overly complex with a large number of questions to address at a relatively early stage and when details were still to be determined. Deadlines for submission could also be challenging especially when there were multiple commissioners involved and timescales did not dovetail with their own commissioning cycles. As identified in the interim report, there was also a degree of confusion over how much funding applicants could apply for and little flexibility over changing this at a later date.
- **Large development costs:** While a cost benefit analysis is not a feature of this evaluation, it is clear that there are high costs associated with LCF SIB development. Given the length of time it takes to establish a SIB, the degree of stakeholder engagement required and the complicated and protracted nature of contracting, the scale of resource input is high. This was also true for SIBs that had failed to come to fruition and was a factor that was likely to deter applicants from considering future SIB opportunities should they arise.

6.1.2 Progress towards the Fund's objectives

This section reviews progress against the LCF objectives, which have been a focus of investigation for this strand of the evaluation, as far as possible at this stage of programme implementation. Our conclusions are provided for objectives:

- 1 - To increase the number and scale of SIBs in England;
- 2 - To make it easier and quicker to set up a SIB;
- 4 - To increase social innovation and build a clear evidence base for what works;
- 5 - To increase the amount of capital available to voluntary, community and social enterprise (VCSE) sector providers to enable them to compete for public sector contracts; and
- 7 - To grow the scale of the social investment market.

As described in the introduction, Objectives 3 and 6 sit within the remit of the GO Lab strand of the evaluation, and can only be commented on at a later stage of project delivery.

6.1.2.1 Objective One: To increase the number and scale of SIBs

The LCF has **clearly achieved its objective of increasing the number of SIBs currently operational in England**. At the time of writing the LCF has supported the launch of 29 new SIBs with the potential for this to reach 32, which would represent over half of the SIBs currently active in the UK according to GO Lab data.

Although the Fund objective did not define what was meant by scale, or set a benchmark against which this might be measured, the 29 launched SIBs collectively intend to work with over 45,000 individuals, with the majority (21 of 29) having available outcome payments available of up to £5 million. This suggests that **the majority of LCF SIBs are in the small to medium scale in terms of the outcome payments available to them**[33]. While the LCF includes projects with considerably higher outcome values, these were rare (five having outcome values of £10 million or above).

On this basis, we conclude that while the Fund has directly led to an increase in the number of SIBs in operation it has had only a limited impact on the scale of the SIBs launched. Experiences of the Fund have shown the particular challenges associated with developing and launching SIBs at a larger scale, in part because of the complexities of reaching agreement, the level of shared understanding and commitment required, and the appetite for risk amongst commissioners.

The challenge now is for the LCF programme delivery partnership to **maximise opportunities for the launched SIBs to act as catalysts for wider SIB take-up**, to enable SIBs to be considered outside of those directly funded by the Fund. Although not universal, the majority of successful (and many unsuccessful) applicants indicated that they would consider working under SIB arrangements again. For one third of commissioners and two thirds of providers of the launched projects the LCF had provided a first experience of the SIB model. The effective capturing of the outcomes and the wider successes of the LCF SIBs, and the

[33] See Building the tools for public services to secure better outcomes: Collaboration, Prevention, Innovation, GO LAB, July 2018.

communication of learning to encourage wider adoption, will be key in enabling this objective to be achieved.

6.1.2.2 Objective Two – To make it easier and quicker to set up a SIB

Objective 2 implies recognition of the fact that SIBs are inherently complex, and this is clearly reflected in the experiences of both applicants to the Fund and the stakeholders involved in supporting them. This complexity is due to a number of interrelated factors including the number of different stakeholders involved and the technicalities of the financial model. In contrast to earlier SIB initiatives the LCF was designed to support the development of locally owned SIBs, meaning applicants were tasked with designing bespoke projects with their own outcome measures and rate cards. The Fund set out to make the development process easier for applicants through a package of support that has included the development grant, opportunities for peer learning, online technical guidance, and, as the Fund has evolved, intensive bespoke support aimed at facilitating both the relational and technical aspects of SIB development.

This support was welcomed by applicants and it is clear that they would not have been able to proceed with their applications without it. The **development grant** was largely used to support applicants with technical aspects of their SIB at the full application stage but also in communicating the SIB project to key stakeholders. The use of the grant provides an insight into how local authority commissioners and providers may lack the time, internal resources, and expertise to develop the various aspects of their bids. Applicants suggested, however, that similar support for their final set-up processes would have been helpful.

Views varied on the extent to which it had been **easier, and more rapid, to set up a SIB** under the LCF than in commissioners' and providers' previous experiences. Applicants felt the process was more straightforward and others the reverse, but all referred to the approach as remaining a (necessarily) complex one which required much effort to progress forward. The application process could be a frustrating one, particularly in the early stages where information requirements and timescales could change and delays experienced in receiving responses to questions.

The level of attrition between application stages was also high, reflecting the complexity of SIB development and meaning that a part of the originally announced £80 million for top-up payments from the Fund has not been committed. Applicants, IFMs and stakeholders questioned whether the sequencing of the steps had been correct, and whether a more detailed expression of interest (with evidence of commissioner commitment, at least in principle) would have weeded out applications less likely to reach launch.

There are positive lessons from the implementation of the Fund, which have value for similar programmes elsewhere. These include the provision of support (financial and experiential) to assist the application process, but perhaps more importantly the more collaborative and problem-solving nature of applicant and administrator relations which was felt to contrast with previous funding arrangements.

6.1.2.3 Objective Four - To increase social innovation and build a clear evidence base for what works

One of the widely purported benefits of the SIB model is as a potential source of social innovation, which can be defined as 'the process of developing and deploying effective solutions to challenging and systemic social issues in support of social progress[34]'.

As a recent paper proposing a theoretical framework for SIBs[35] described, innovation in the SIB context can take many forms - where SIBs can be seen as innovative forms of financing the delivery of social services; encouraging the development of innovative solutions to social problems; and facilitating interactions between local stakeholders to generate synergies and efficiencies. While innovation in the SIB context may feature goal-oriented (new services to meet social needs) and/or process-oriented (new processes to deliver products and services more efficiently), social innovation can also include the exchange of insight and the development of capacity and soft infrastructure, the process of which can result in transformational rather than incremental change. However, the paper argues that while social innovation may be a useful model in understanding SIB innovation, one of its key features, namely the co-design of services with service users and communities, is found only rarely in previous SIB evaluations. Indeed, no examples of the co-design of interventions with service users, or service user inputs to service review, were identified amongst the LCF case study projects.

In this evaluation, attentions focussed on innovation primarily in terms of the services delivered, as perceived by the project providers, commissioners and wider local partners and stakeholders. As innovation was not defined in the LCF guidance documents, different projects and stakeholders understood the term and mobilised the concept differently. There was a wide recognition of the tension between applying wholly new approaches (which remained to be tested and had only a limited evidence base) and the necessity to manage risk (where 'proven' interventions were at an advantage). A wider definition was therefore applied, with the working definition followed in the interim report including:

- Innovation in collaborative working - for example new collaborations between different types of commissioners and providers, or across wider geographical areas;
- Innovation in the choice of intervention applied, which can include:
  - a. Implementing an untested or wholly new intervention, but more likely;
  - b. Implementing ideas proven to work elsewhere but being tried for the first time in an area, context or with a specific target group; and
  - c. Implementing an already tested intervention; but trying out new aspects to improve and adapt it, potentially with the input of service users.
- Innovation in types of performance management, by creating a more rigorous approach than previously adopted, with the effective and rapid use of monitoring information to review progress, make changes and drive improved outcomes.

It was also suggested by stakeholders in the final phase of fieldwork that innovation may be found in the ways in which projects address the issues and challenges faced during implementation.

The evaluation has shown how the different parties involved in the development of the SIBs viewed the risks associated from different perspectives. IFMs can be concerned that approaches that are 'too innovative' lack an evidence base, making

[34] Graduate School of Stanford Business, Defining Social Innovation.

[35] Albertson, K, Fox, C, O'Leary, C, Painter, G, 2020, Towards a Theoretical Framework for Social Impact Bonds

it difficult to predict performance in outcome delivery and therefore rates of return. While commissioners may not face financial risk under the SIB approach, they still want their objectives to be achieved and to avoid any negative reputational effects.

Looking across the case study projects, the service innovation observed fell into the category of **'ideas proven to work elsewhere but being tried for the first time in this area/context or with this target group'**, and **new collaborative approaches between organisations** who had not worked together before – both locally and cross-regionally (for example where a single commissioner acted on behalf of multiple local authorities, CCGs and Jobcentre Plus districts).

The development of **new, or enhanced performance management approaches** provides another source of potential innovation, given the importance of effective systems which allow progress to be measured and provide data for forward planning. Findings from the second round of case study fieldwork suggest that the majority of projects revised their performance management approaches to meet the requirements of the Fund, although these were already considered to be sufficient and fit for purpose. While the data collected allowed referral volumes and other aspects of provision to be monitored to test assumptions and inform changes in delivery, it is likely that the true value of these developments may only be seen either when the projects are approaching the end of their funding period (to target resources to ensure final outcomes are maximised) or when major difficulties are experienced and the data collected can inform local problem solving and revision.

The Fund offers rich opportunities for learning given the diversity of projects supported under it and policy domains covered, as well as the wider financial and contractual arrangements, which underpin them. Consequently, the Fund is well placed to make a significant contribution to the SIB evidence base, and like Objective 1 the challenge for the delivery partners is to ensure this evidence is captured and communicated effectively.

6.1.2.4 Objective Five - To increase the amount of capital available to voluntary, community and social enterprise (VCSE) sector providers to enable them to compete for public sector contracts

The Fund was successful at attracting VCSE organisations both as lead applicants (in 5 of the 29 launched projects) and as lead providers (22 of the 29) – with further VCSE involvement in project supply chains irrespective of the sector of the lead provider. Collectively, over £100 million has been secured in outcome payments for projects led by providers from the VCSE sector. In that sense, it has **achieved its objective of increasing the amount of funding available to the sector and enabling them to secure and work as part of public sector contracts**.

In addition, the process of applying and developing a SIB has provided **useful new, and reinforced existing, experience for VCSE providers**, even when they had previous outcomes commissioning and SIB experience, and that can be applied in future funding programmes.

Stakeholders reflected that, despite the efforts of the LCF programme delivery partnership, it had been much harder to move provider-led bids through to launch. As described in Section 3, the reasons for this included variable commitment from commissioners and limited local buy in, questions over outcome payments and cashable savings, changes in national or local strategic priorities. Others questioned how representative the engaged providers were of the VCSE sector overall, noting that barriers to participation existed for smaller providers which meant SIBs were not an appropriate vehicle for them to take a lead role. The level of previous involvement in public sector and outcomes-based contracts was felt to be a better indicator of capacity, with the majority of VCSE providers having prior experience in this area.

6.1.2.5 Objective Seven - To grow the scale of the social investment market

LCF projects had secured **over £26 million of social investment**, with the majority of investments being managed by two investment fund managers (Big Issue Invest and Bridges Fund Management). Since the interim report the IFM base had widened, with an additional four investment fund managers engaging with five of the 29 launched projects as lead investors.

While this investment represented a significant commitment of social investment to supporting the delivery of public service contracts, there was **little evidence at this point that the Fund has had a wider impact on the scale of the social investment market**. This is not to say such an effect is not possible, and it was recognised that top-up funds can have a catalytic effect over the longer term. As the SIB model provides evidence of its effectiveness, communicating successes identified and wider learning will be crucial if this objective is to be achieved.

Stakeholders questioned whether there was a need to grow the social investment market and contended that it was adequately served by the current range of investment fund managers. It remains to be seen whether the market can grow further without more diversity in the investor market.

Others also felt that the balance between **stimulating demand and influencing the supply side should be reconsidered** in this light, in the context that SIBs were just one form of potential social investment. The LCF has shown that demand exists, albeit with the incentive of the available top-up payment, for social investment, although stakeholders considered that some form of government support, financial or political, would continue to be required until the SIB model become a more established approach.

6.2 Recommendations

As applications to the LCF have completed, and the successful projects have or are about to launch, our recommendations focus on the key learning from the LCF to date which can usefully inform future SIB-based funding arrangements.

- **Learning from the LCF application process:** Both applicant and stakeholder evidence indicate that there was room for improvement in the LCF application process. The level of detail required at different stages and lack of clarity about terms and what was being asked for added to the difficulties experienced by applicants in developing their SIBs. In particular, there is a need for clarity and honesty about the level of resourcing and senior commitment required to bring a SIB proposal to fruition and further guidance on what this entails. Given the high rate of attrition from provider-led proposals there is also the need for additional scrutiny of the evidence for firm commissioner commitment at the earlier stages of application, and a tougher stance taken towards closing applications that are unlikely to progress. Finally, to avoid duplicated and wasted effort, the information required for applications, additional information requests and data collection and reporting requirements should be specified in advance as far as possible.

- **Make additional resources available at the latter stages of SIB development:** One of the biggest challenges to applicants was moving stakeholders from the ‘in principle’ agreement stage to final set up. However, the development grant monies were spent in the full application stage, with no additional financial assistance available for this final stage. Given the importance of the development funding, consideration should be given to either awarding development funding in separate tranches or requiring funds to be held back from the award to cover the later development stages.
- **Staged process:** At the outset, the DCMS envisioned a staged roll out but this did not happen – in practice projects sat in all stages of development and implementation – and process delays meant the aim of moving projects at pace was not realised. For clarity, realistic and reasonable timescales should be developed and adhered to for all stages of the application process, drawing on learning from previous programmes and including consultations with central government stakeholders and local partnerships on realistic and achievable timeframes for development and implementation. Consideration should also be given as to the order in which the different elements of a SIB – the identification of need, selection of intervention, engagement of commissioner or provider, and securing social investment – should be expected, with more focus being on securing a commissioner for provider led bids. A more detailed expression of interest stage might also have reduced the level of attrition experienced in subsequent stages.
- **Less emphasis on cashable savings** One of the most difficult things for applicants to calculate and demonstrate was cashable savings. Added to this was the fact that applicants were reportedly held to account for calculations made early on in the SIB development process. There is stakeholder evidence that the narrative around cashable saving is changing, and that it is becoming more widely accepted that cashable savings will not be realised. Future funding initiatives should encourage people to focus on driving efficiencies and cost avoidance rather than cashable savings.
- **Support collaboration and flexibility**– projects should be allowed a degree of flexibility at application and post-inception, to ensure they are given the space to evolve (within clear parameters), while ensuring that stakeholders are realistic and draw on the available evidence in their forecasting referral numbers and outcomes resulting. The positive, collaborative, and solutions-focussed approach to support which emerged under the Fund should be continued going forward.

Our final recommendations relate to the remainder of the programme period and to efforts to achieve Objectives 1 (increasing the number and scale of SIBs) and 6 (to grow the scale of the social investment market). While the Fund to date has successfully increased the number of SIBs through the direct provision of funding, there is little evidence of its effect on the scale of the social investment market as a whole. In both cases, if the impact of the Fund is to be maximised, information on **the successes of the Fund and the projects that comprise it must be collected, and effectively communicated, to stimulate wider impacts** beyond the Fund’s direct investments.

ANNEXES

Annex 1 Programme logic model

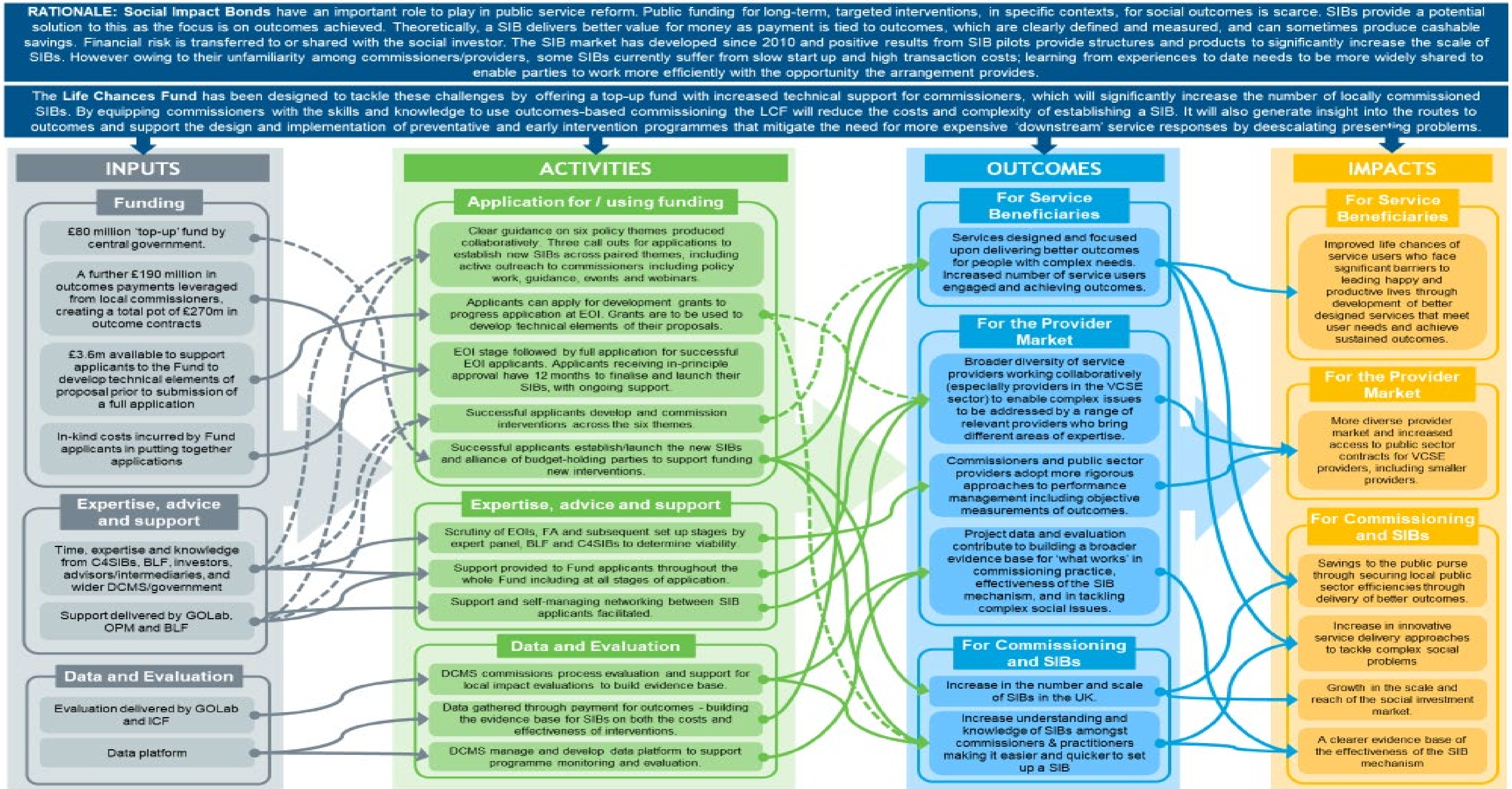
A theory of change approach helps stakeholders to understand the programme theory for any intervention or change programme and underpins the evaluation of the project or programme in question. The ToC is summarised in a logic model that establishes the rationale for an intervention and the context in which it sits, and shows the intended causal links between inputs, activities, and outcomes. Put simply, a ToC is an approach used to map the connections between activities and outcomes, to explain how and why a programme is intended to work. The LCF programme logic model was developed through an iterative approach drawing on the collective knowledge of LCF stakeholders and involving:

- A review of LCF programme documentation;
- Interviews with national stakeholders engaged in the design and/or implementation of the LCF (n=13). The sample was purposive and agreed with the DCMS. It included representatives from: DCMS; The Cabinet Office; the Community Fund; and the social investment sector including IFMs and intermediaries. Interviews were undertaken between November 2017 and February 2018;
- A workshop with representation from DCMS and the Community Fund to test out, discuss and refine an indicative first model; and
- Further refinement, testing and consultation with programme stakeholders including those who were not able to attend the workshop.

The logic model is presented in appendix 1 of this report. In summary this sets out:

- The rationale for the programme covering the role played by SIBs in public service reform and how the LCF aims to address some of the challenges inherent in establishing a SIB.
- The inputs to the programme including: the funding available from government, the outcome payments leveraged by local commissioners and the costs incurred ‘in-kind’ by applicants; the range of expertise, advice and support available to applicants and delivered by the LCF programme delivery partnership as well as IFMs and intermediaries; and data and evaluation inputs.
- The outcomes the programme aims to achieve for four key groups: service beneficiaries; the wider commissioning and social outcomes investment environments (related to LCF Objectives 1, 2, 3 and 7) and the provider market (related to objectives 4,5 and 6).
- The impacts the programme is working towards. Again, these are set out for the three groups above. Those pertaining to the commissioning environment and the social outcomes investment market relate to LCF Objectives 3, 4, 6 and 7
- Logic model development is an iterative process and the model presented below was developed at an early stage of the Fund’s implementation. Given that the LCF has evolved over the three years since launching the logic model would now benefit from some revision and amendment.

Programme logic model for the Life Chances Fund



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