



# Life Chances Fund

## Frequently Asked Questions

### What is the Life Chances Fund?

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

### What is a complex social problem?

When an individual or a group of individuals within a community faces a particular social issue, it may well be interconnected with other social issues. For example, drug and alcohol dependency is often linked to problems such as mental health, unemployment, and homelessness. This means the individuals in question have a complex set of needs making it difficult to develop and deliver effective interventions.

Interventions may exist, but often fail to improve long-term outcomes because they don't take the full complexity of the problem faced by individuals into account.

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

[The Centre for Social Impact Bonds \(C4SIBs\)](#) is part of the Office for Civil Society and Innovation. The team provides expert guidance on developing social impact bonds (SIBs), shares information on outcomes-based commissioning and supports the growth of the social investment sector. C4SIBs is part of the wider Government Inclusive Economy Unit (GIEU), which is focused on growing the [social investment market](#), and [using social investment as a force for social change](#).

### What is a social impact bond?

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

### Further Information

**How do I get further information about the Life Chances Fund?**

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

You can also discuss particular aspects of your proposal by [sending us email](#).

## **What other support does the Life Chances Fund team offer?**

[The Big Lottery Fund](#) provides information about the Life Chances Fund application process, themes and policy, as well as webinars and workshops on the Life Chances Fund and developing SIBs. If you need help with your decision to set up a Social Impact Bond, the [Government Outcomes Lab](#) provides early stage information and advice on outcomes-based commissioning, via bookable slots.

Applicants who have submitted a successful Expression of Interest to the Life Chances Fund can access workshops for peer learning and co-design, support via email and phone calls and further support on a case by case basis from the Big Lottery Fund. In addition, the Government Outcomes Lab offers advice and support for the evaluation of projects for successful applicants. The Big Lottery Fund will also provide feedback for applications that have not been successful.

## **Life Chances Fund**

### **Why has the LCF been established?**

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

### **What are the aims of the LCF?**

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

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

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

## **Commissioning and Social Impact Bonds**

### **What is commissioning?**

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

### **What is outcomes-based commissioning?**

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

## **What (or who) is a social investor?**

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

## **Who can help me to develop a SIB?**

There is a range of development support available. As part of the LCF application process we will signpost you to relevant support.

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

Additionally, SIB developers can get support through [the Government Outcomes Lab \(GO Lab\)](#).

## **What is the Government Outcomes Lab (GO Lab)?**

The GO Lab is a new centre of academic excellence for innovative government commissioning. The GO Lab will deepen the understanding of outcomes-based commissioning and provide independent support, data and evidence on what works, and what doesn't. The GO Lab is funded as part of a five-year partnership between the Blavatnik School of Government at Oxford University and the government.

## **What are some examples of outcomes based contracts?**

Outcomes-based contracts are in operation in a number of different policy areas and have been implemented by local and central governments. Examples of outcomes-based contracts in the UK include:

- [Career Connect](#) is a charity providing career-focused guidance, advice and support across Greater Merseyside. Their service was commissioned as an outcomes contract by the Department of Work and Pensions in 2012 and again in 2015 based upon its performance. The charity has financed one of its programmes via a social impact bond, which has supported more than 4,000 young people into education, training or employment.
- [Ways to Wellness](#) is a new service for people in the west of Newcastle whose lives are affected by certain long-term health conditions. The service is supported by an outcome-based contract with the Newcastle Gateshead Clinical Commissioning Group, calculated on the basis of long-term savings through reduced use of hospital services. Ways to Wellness is funded through a social impact bond and over seven years, the programme aims to support 11,000 older people. So far, in its first year of operation, Ways to Wellness has engaged strongly with people targeted, with improved wellbeing generating outcomes funding, as well as providing a strong base for longer term outcomes, which will generate cashable savings for the CCG involved.

## **Life Chances Fund – Process**

### **Who is responsible for the LCF?**

Big Lottery Fund will act as the fund administrator for the LCF, and will manage the £80m on behalf of HMG. They will be responsible for managing the fund day-to-day, partnering with the Department for Culture, Media and Sports (DCMS) for some processes. This will include managing applications to the fund, funding grants and managing finances. The external partner will act as the main point of contact for the fund, and will engage DCMS and others as necessary.

### **What types of outcomes contracts will the LCF focus on?**

Top-up funding from the LCF will be available for payment towards outcomes contracts, or SIBs, focused on tackling complex social problems across six themes. The contracts must be locally commissioned, with a local commissioner committed to paying for a proportion of outcome payments within a measurable outcomes framework. It must have the potential to attract external investment. In order to meet its aims to scale both the size and number of SIBs, the LCF will also prioritise projects that achieve scale, are replicable and/or are innovative in terms of the SIB

*model, the intervention, cross sector, geography or policy area working; support early action interventions or other aspects.*

*We do not want to prescribe the sorts of interventions or outcomes that will be commissioned. We look to support SIBs that enable a wide variety of organisations to deliver innovative and effective services to people and communities.*

#### **What are the themes of the LCF?**

*The themes are focused on specific complex social problems that are priority areas for central government. These are: drug and alcohol dependency, children's services, young people, early years, older people's services and healthy lives. Targeted policy callouts will invite applications to the themes across three staggered intervals.*

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

*Providers from the VCSE sector are often precluded from involvement in outcomes based contracts because they do not have the financial resources to wait until outcomes are achieved before they are paid. Entering into a SIB means that VCSEs and other smaller charitable sector service providers can access the upfront capital they need to deliver interventions. VCSEs can also become involved as lead applicants, research specialists, specialists in the needs of service-users and their communities, project managers on behalf of commissioners, managers of SIB arrangements, co-commissioners and investors, providing up-front capital. If you do take on multiple roles you will need to have strong governance in place to ensure any conflict of interest risk is fully mitigated.*

#### **How can we engage with VCSE organisations to support SIBs?**

*Given the broad range of expertise VCSEs can bring to SIBs in a variety of roles, we strongly recommend that lead organisations in SIBs, whoever they be, do look to engage with local VCSE organisations. You can do this in a variety of ways including open days, market place events, pre tender discussions, reviewing VCSE engagement on commissioner approved provider lists, local and national infrastructure organisations, discussions with umbrella organisations and lead professional bodies in areas covered by the LCF's thematic call outs.*

#### **How long will the LCF run for?**

*The LCF will run for nine years, from 4 July 2016 up until March 2025. Applications for top-up funding will be accepted for 12 months after each thematic call out, with applicants having to first submit an Expression of Interest (EoI) which, if approved, is followed by a Full Application (FA). The final decisions on funding will be made in July 2018. All LCF outcomes payments will need to be claimed 6 months before the fund closes - so by October 2024 – but SIBs can continue beyond this date to achieve the full benefits to local commissioners and other stakeholders.*

#### **How do you expect to learn from the LCF?**

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

## **Available Funding**

#### **How much funding is available for my project?**

*The LCF has up to £80m to contribute towards outcome payments. We will aim for about 20 per cent contributions to total outcome payments, with local commissioners expected to fund the majority of the outcome payments overall. One of the underlying aims of the LCF is to support the development of SIBs at scale, so we would be particularly interested in seeing proposals that are seeking awards from LCF that will support outcomes funds of £5m+.*

#### **Is there any flexibility on the contribution made by LCF and local commissioners?**

*The contribution made by LCF could vary depending on the policy area and the balance of savings for local and central government. While we have set an average cap of 20 per cent, we will look at proposals where the contribution rate is higher from central government (based upon a higher proportion of the savings accruing to*

*central government budgets). However, we will always aim to act as a minority contributor in terms of outcome payments.*

#### **Will any additional funding be available for developing my project?**

*A small amount of additional funding has been made available for applicants who require financial support to further develop their proposal. This funding will only be available to procure specific pieces of technical advice, and will typically provide around £30,000. LCF will look to successful applicants to match fund any contributions they receive through LCF.*

*The LCF will not allow development funding to pay for activities by an organisation that may then invest in the resulting proposition, either directly or via a fund they manage.*

#### **How can I apply for development funding?**

*Development support questions can be completed as part of the initial Expression of interest (EOI) form. The answers given will allow LCF to assess what further development is required to progress a project, and whether it is eligible for development funding.*

#### **Can I approach other organisations for funding?**

*You can approach other organisations for funding, but you will need to provide details of any organisations you have or are going to approach as part of your application. You must also ensure that you are not seeking to double fund any work - so, for example, if you have already received development funding for a specific piece of work to develop your project, you will not be eligible for further development support from the LCF for the same work.*

## **Applying to the Life Chances Fund**

#### **How do I apply to the LCF?**

*Anyone wishing to apply for funding from the LCF must follow the two-stage application process by submitting an EOI and, if successful, completing a full application. EOIs are available and can be submitted through the [LCF website](#) - the full application is currently in development but details will also be available via the website. [Guidance](#) for the application process is also available.*

#### **When can I apply for funding?**

*The first thematic call out was from July 2016 (for drug and alcohol dependency, and children's services projects) to the end of September 2016. Applications for early years and young people will be invited from January 2017, and older people's services and healthy live themes will be launched in June 2017 (confirmed timelines will be shared in future communications).*

#### **What do you mean by 'local commissioner'?**

*By local commissioner we tend to mean a public sector commissioner (but not a central government department).*

*Local commissioners could include any bodies that commission public services, for example:*

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

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

**I am not a local commissioner - can I still apply?**

*Anyone with a SIB proposal can apply for funding - for example, a VCSE or a social investment intermediary/consultant. However, they must have agreement from a local commissioner to pay for the majority of the outcomes and be able to evidence this - for example, in writing in a letter or email.*

*LCF will also allow proposals that involve non-public sector bodies paying for outcomes – e.g. VCSEs, social enterprises and philanthropic bodies (provided the majority of outcomes payments still lies with a local commissioner).*

*Please note commissioner commitment will be tested directly with commissioners from the early stages of the EOI process throughout the LCF assessment process. As a lead applicant you need to ensure you engage with the commissioner service teams, commissioning teams and key decision makers at appropriate stages.*

**Does my organisation have to be of a certain financial size to apply?**

*No. Non public sector bodies will be required to provide details of their financial position, but this is to ensure the financial viability of your organisation rather than to assess its size. This information will be gathered as part of your EOI.*

**Can we work with a social investment intermediary or a consultant to develop a SIB model and then launch the SIB?**

*In principle, yes, you can; but you will have to be very careful about issues relating to conflict of interest and the effect on your procurement processes for the final application.*

*LCF expects open procurement that complies with statutory procurement requirements. This means that, if you opt for one consultant, they may need to withdraw from providing you with technical support during the procurement for the main project. This risks leaving you with a lack of capacity to complete the necessary development work and launch the SIB.*

*Additionally, there is a risk that allowing a consultant to apply may mean that other intermediaries assume that the procurement is a done deal. As such they may decide not to submit a tender impacting on your procurement process and your ability to obtain best value for money from the procurement. There is also an associated reputational risk from the perceived lack of fairness of the procurement process.*

*Please be aware that these risks appear to have been real concerns that could not be fully managed in some recent SIB proposals.*

**Is there a given SIB structure we should develop?**

*We have no particular requirements for SIB structures, other than to keep it as clear and simple as possible and ensure any real or perceived conflicts of interest for stakeholders are managed (normally by the commissioner). Make sure you have a logical funds flow and strong separation of roles and duties to avoid conflicts of interest occurring.*

*Generally we want the commissioner to be in the lead where possible, whether they are outsourcing functions or running them in house, as our funding is designed as a top-up to subsidise and encourage engagement by commissioners.*

*Exceptionally, we will allow another body to lead but a case must be made well in advance of any FA and generally, we will expect a local commissioner to lead on the full application, where the proposal is either to be delivered in a single geographic area or there is one commissioner. Exceptions could include circumstances where the local public commissioners lack the vires to take a lead beyond their geographic area of responsibility.*

*Please note if you do not openly procure any part of the structure, then we may be unable to fund that part of your SIB or, in certain circumstances, the SIB in its entirety.*

**My project is located outside of England - can I still apply?**

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

**My project is located in Greater Manchester - can I still apply?**

The LCF remit does not run to Greater Manchester (GM) as the devolution settlement has seen a proportion of the overall LCF pot being devolved directly to GM. In the interests of fairness it was agreed that the remaining funding would only be open to proposals from outside GM.

**My project does not fit with the LCF themes - can I still apply?**

If you consider your proposal to be innovative, robust and representative of strong value for money then it could still be eligible for funding. Please [contact the LCF Team](#) to discuss further.

**Can I put in more than one bid?**

Yes. Applicants can submit more than one proposal to each theme, or across themes, providing the proposals are for distinct SIB projects. The LCF will not double-fund any projects, including projects previously funded by other SIB focussed funds such as Commissioning Better Outcomes - although this does not preclude the scaling up of existing SIBs.

**Can I make a repeat bid?**

Yes. Where an unsuccessful bid has been made to an earlier call out, applicants can re-submit their bid to a later call out, provided the project has applicability to a later theme. Any repeat bids must be able to demonstrate that they have been further developed in line with feedback received from their unsuccessful bid - they will not progress beyond EOI if they cannot.

**What do you expect of applicants when you require research into and consultation with service users?**

In addition to engaging service users in taking part in SIB interventions, we expect applicants to actively engage with their service users to target equality groups and other groups with social, economic and environmental disadvantages to help build and utilise their positive skills and attributes and to ensure the interventions funded through the SIB are as relevant and effective as possible. These skills and attributes need to be researched so that the intervention(s) draw these out. We, therefore, expect applicants to consult with, actively involve people with disadvantages and their local communities; and for applicants to plan engagement strategies with delivery agents and other key stakeholders to enable this to happen.

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

**How will you test value for money?**

We expect all costs to reflect current market value for provision and the level of technical support required and we will take this into account in determining any request for development support funding from LCF.

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

SIB overhead in the form of SIB management and associated costs must be proportionate to the size of the SIB and the delivery contracts, as must the administration fees chargeable by social investment funds and loans funders. Any financial gain including dividends, interest, performance payments, returns and other surpluses must also be proportionate to the size of the project and to the risk transferred to that stakeholder, where appropriate. LCF has collected data to benchmark expected investor returns, financial gain and management overhead. LCF is unlikely to fund proposals where any of these are deemed to be excessive.

**What happens after I submit my initial application (EOI)?**

After the submission of your EOI, your submission will be assessed against the basic eligibility criteria for the fund. If you are unsuccessful, we'll notify you via email. Should your application go through to the next stage (full application), we'll be in touch for further information, including your most recent audited accounts. If you would like to discuss your application further, you can contact us.

## **What terms am I likely to have to meet if I am successful at full application stage before I can progress to launch my SIB?**

*There may be some terms that will be proposal specific, but, in general, we will be looking for each applicant who is successful at the full award stage to agree to:*

- ensure all contracts (such as contracts with any intermediary managing aspects of the project or contracts to deliver interventions) entered into prior to the final application are compliant with LCF open procurement requirements, which include our reviewing those contracts prior to finalisation and sign off
- review, validate, and obtain commissioner sign-off on outcomes metrics including, as appropriate, revising the metrics, where issues have been identified at the in-principle stage
- progress arrangements for data collection and independent verification and procurement of delivery partners; so that LCF can be satisfied you will be able to launch as planned - if your data collection is sourced from a national database, that cannot be influenced by stakeholders involved in the proposal, then you will not need to independently verify data

## **If I have received development support, can I make a Full Application before I finish the work that it has funded?**

*Yes, but LCF expects you to have completed all feasibility work before a full award application is submitted. Ideally we would like all work funded by your development grant and associated contribution from others to have been completed and for applicants, to have submitted an end of development support grant (and to have completed the review so we can close your Development support funding) before a full award application is received.*

## **Do I have to have a defined intervention at Full Application stage?**

*We would expect you to have explored the intervention in outline at EOI stage and in further detail through your feasibility work. In many cases your intervention package will be defined through this process.*

*You may, however, need to continue to test a range of interventions throughout the funded period (for instance for personalised packages of support or to maximise long term cost benefit of the SIB). In such cases give clear examples of the sort of intervention you expect to use.*

## **Social Investors**

### **Are applicants expected to engage social investors, or have these already been engaged by LCF?**

*Potential investors have been engaged in the development and launch of the LCF - for example, organisations such as Big Issue Invest and Bridges Ventures who have had previous involvement in SIBs. However, applicants are expected to engage investors for their individual projects.*

### **Do I need to have engaged potential social investors to apply to LCF?**

*Engagement of social investors is not necessary for submitting an EOI. However, you will be expected to develop a strategy to engage investors as you develop your project and, ideally, will require the in principle agreement of at least one investor, subject to contract, prior to making a full application.*

*For more information about social investors, you may wish to contact intermediaries - including:*

- [Bridges Ventures](#)
- [Big Issue Invest](#)
- [Caf Venturesome](#)
- [Triodos bank](#) (who can help make arrangements for individual investors)
- [Social and Sustainable Capital \(SASC\)](#)
- [Nesta](#)