



GOVERNMENT  
OUTCOMES  
LAB

LCF EVALUATION

# An introduction to Life Chances Fund projects and their early adaptations to Covid-19

INTERIM REPORT

December 2021

### **Acknowledgements**

The research team are grateful to colleagues at the Department for Digital, Culture, Media & Sport and The National Lottery Community Fund for their support in accessing data and their constructive feedback on this report.

### **Author contribution statement**

**Dr Clare FitzGerald** designed the research approach and oversaw data collection, analysis, and report drafting. She reviewed and edited the report.

**Tanyah Hameed** cleaned and analysed data, and drafted part I sections 1.2 and 1.4, and part II section 2.3 of the report. She contributed visuals in these report sections and the technical annex.

**Franziska Rosenbach** administered wave 1 of the Primary Evaluation survey, collected and analysed data, and drafted part II section 2.3 of the report.

**James Ruairi Macdonald** collected and analysed data, and drafted part I section 1.3 of the report.

**Juliana Outes Velarde** analysed data, contributing visuals to part I section 1.4 and the technical annex.

**Dr Ruth Dixon** supported analysis and reviewed and edited the report.

### **Recommended citation for this report**

FitzGerald, C., Hameed, T., Rosenbach, F., Macdonald, J. R., Outes Velarde, J. & Dixon, R. (2021). *An Introduction to Life Chances Fund projects and their early adaptations to Covid-19: Life Chances Fund Evaluation Interim Report*. UK Department for Digital, Culture, Media & Sport. [www.gov.uk/government/publications/life-chances-fund-introductory-primary-evaluation-report](https://www.gov.uk/government/publications/life-chances-fund-introductory-primary-evaluation-report)

# About the Government Outcomes Lab

The Government Outcomes Lab (GO Lab) is a research and policy centre based in the Blavatnik School of Government, University of Oxford. It was created as a partnership between the School and the UK Government and is funded by a range of organisations. Using qualitative, quantitative and economic analysis, it investigates how governments partner with the private and social sectors to improve social outcomes.

The GO Lab team of multi- disciplinary researchers have published in a number of prestigious academic journals and policy-facing reports. In addition, the GO Lab hosts an online global knowledge hub and data collaborative, and has an expansive programme of engagement and capacity-building to disseminate insights and allow the wider community to share experiences with one another.

# Contents

<b>GLOSSARY.....</b>	<b>6</b>
<b>EXECUTIVE SUMMARY.....</b>	<b>10</b>
<b>This Report.....</b>	<b>10</b>
<b>Key findings .....</b>	<b>10</b>
Part I: An introduction to LCF projects.....	10
Part II: The LCF and Covid-19: March-October 2020.....	11
<b>RECOMMENDATIONS.....</b>	<b>13</b>
<b>INTRODUCTION .....</b>	<b>14</b>
<b>What is the Life Chances Fund?.....</b>	<b>14</b>
What are social impact bonds? .....	15
What is the LCF evaluation?.....	15
<b>LCF primary evaluation and this report.....</b>	<b>16</b>
Part I: An introduction to LCF projects.....	16
Part II: LCF and Covid-19: March-October 2020.....	16
<b>1. PART I: AN INTRODUCTION TO LCF PROJECTS .....</b>	<b>17</b>
<b>1.1 Methods I.....</b>	<b>17</b>
1.1.1 Management information from DCMS portal.....	17
1.1.2 Survey data .....	17
1.1.3 Focus group .....	18
1.1.4 Tenders Electronic Daily .....	18
1.1.5 Limitations.....	18
<b>1.2 Application process.....</b>	<b>19</b>
1.2.1 Application experience in projects' own words.....	22
1.2.2 Investors in project set up .....	24
<b>1.3 Awarding contracts: Local procurement and contracting .....</b>	<b>25</b>
1.3.1 Background: Procuring and contracting public services .....	25
1.3.2 Procurement and contracting in the LCF.....	27
1.3.3 LCF procurement and contracting summary.....	30
<b>1.4 Describing funded projects .....</b>	<b>30</b>
1.4.1 Policy areas, stakeholders, and project leads .....	31
1.4.2 Governance structures and project duration.....	31
1.4.3 The LCF stakeholder network.....	33
<b>1.5 Summary and recommendations.....</b>	<b>34</b>
1.5.1 Lessons and recommendations .....	35

<b>2. PART II: LCF AND COVID-19: MARCH TO OCTOBER 2020 .....</b>	<b>36</b>
<b>2.1 LCF Projects and Covid-19: Background and Research Questions .....</b>	<b>36</b>
2.1.1 The Covid-19 Pandemic and Implications for the LCF Projects.....	36
<b>2.2 Methods II.....</b>	<b>37</b>
2.2.1 Research questions .....	37
2.2.2 Data sources and analytic approach .....	37
2.2.3 Limitations.....	39
<b>2.3 Findings: How the LCF Projects Responded During the Covid-19 Pandemic..</b>	<b>41</b>
2.3.1 RQ1: How was LCF SIB funding adapted in response to Covid-19 and how did project characteristics relate to funding decisions?.....	41
2.3.2 RQ2: Were contractual terms found to be fit for purpose?.....	52
2.3.3 RQ3: How did LCF SIB services adapt in response to Covid-19? .....	53
<b>2.4 Summary and recommendations.....</b>	<b>58</b>
2.4.1 RQ1: How was LCF SIB funding adapted in response to Covid-19 and how did project characteristics relate to funding decisions?.....	58
2.4.2 RQ2: Were contractual terms found to be fit for purpose?.....	58
2.4.3 RQ3: How did LCF SIB services adapt in response to Covid-19? .....	58
2.4.4 Lessons and recommendations .....	59
<b>LIMITATIONS OF THIS REPORT .....</b>	<b>60</b>
<b>FUTURE LCF RESEARCH AND EVALUATION .....</b>	<b>61</b>
<b>2021 PROJECT UPDATE .....</b>	<b>62</b>
<b>APPENDIX.....</b>	<b>63</b>

# Glossary

**Cohort** The targeted population of beneficiaries, participants, or service users.

---

**Commissioning** The cyclical process by which entities assess the needs of people in an area, determine priorities, design and contract appropriate services, and monitor and evaluate their performance. This term is used widely in the UK public sector context, but less so elsewhere. It is sometimes used interchangeably with “contracting”.

---

**DCMS** The Department for Digital, Culture, Media and Sport (DCMS) is a department of the United Kingdom government. It hosts the Civil Society and Youth and VCSE Public Sector Commissioning Team (formerly the Centre for Social Impact Bonds), which holds policy responsibility for this area within UK central government. In 2016, DCMS launched the Life Chances Fund (LCF), within which it acts as the central government outcome payer.

---

**Expression of interest (Eoi)** The first stage within the multi-stage LCF application process. A standardised online form was used and collected high level information on aspects of proposed projects such as organisations involved, objective and location of the proposed project, potential outcomes, intervention, estimated costs and savings.

---

**DCMS Data Portal** A dedicated data portal (created and owned by DCMS) set up for social impact bonds within the LCF to capture detailed baseline and performance data for individual SIB projects. It aims to facilitate a more streamlined application process and grant management as well as evaluation activity.

---

**Development grant** Grant awarded to some projects after successful EOI, to assist with development of project e.g., to bring in external consultants and technical advice.

---

**Full application** The second stage within the multi-stage LCF application process. Projects with successful EOIs were required to submit a Full Application within six months of the Eoi decision. These applications involved standardised online forms and were much more detailed than the Eois. Applicants were required to prioritise the social issue and its envisioned impact, service user eligibility criteria, the referral, intervention, and service delivery approaches, outcomes and payment triggers, financial modelling and value for money, as well as plans for evaluation and learning.

---

**Full award offer letter** The full award setup form was reviewed using a thorough assessment process, including a detailed written report and presentation to panel. Once this was complete and a project was deemed satisfactory, a full award offer letter was issued. This letter was issued by The National Lottery Community Fund (The Community Fund) on behalf of DCMS. It confirmed the final funding offer from the LCF, while providing a summary of the project details, terms and conditions of the offer, and advice on starting the project and publicising the grant award.

---

**Full award setup form** The Full Award Setup Form was the final submission from applicants to the LCF process. These standardised online forms aimed to capture applicants' progress towards launch and any project changes that had occurred during the development process since the previous stage. Information confirming the meeting of terms within the in-principle award was requested. In addition, outcomes, financials, social investment, costs, and governance were also confirmed.

---

**In-principle award** Successful full applications received an in-principle award from The Community Fund. This letter expressed a commitment to fund outcomes and encouraged projects to actively develop their impact bond and move towards project launch. The exact outcome payment (or 'top up') from DCMS was stated, along with agreed project details and other terms and conditions of the grant offer.

---

**Intermediary** Impact bonds are often supported by experts that provide specific advice. These are typically all referred to as "intermediaries" but can encompass at least four quite different roles: consultancy to develop business cases, social investment fund managers, performance management experts, and special purpose vehicles.

---

**Investor** An investor seeking social impact in addition to financial return. Social investors can be individuals, institutional investors, and philanthropic foundations, who invest through their endowment. In UK SIBs, these assets are often managed by 'investment fund managers' rather than the original investing institutions or individuals who provide the capital.

---

**Life Chances Fund (LCF)** The LCF was launched as an £80m outcomes fund committed in 2016 by UK central government (DCMS) to tackle complex social problems. It provides top-up contributions to locally commissioned outcomes-based contracts involving social investment, referred to as Social Impact Bonds (SIBs). The overall fund spend of the LCF was reduced to £70m from £80m as part of the DCMS budget negotiations in September 2020. This does not affect the ability to deliver existing commitments to projects in the Fund.

---

**LCF Delivery Partnership** The LCF is overseen by DCMS, administered by The Community Fund, and is supported by learning and evaluation partners like the GO Lab, ICF, and Traverse. This group is known collectively as the LCF Delivery Partnership.

---

**Medium scenario grants** One of three temporary funding options offered to projects during the Covid-19 crisis of 2020. This included activity payments based on projected medium case performance scenarios.

---

**Outcome (outcome metrics/outcome payment triggers)** The outcome (or outcome metric) is a result of interest that is typically measured at the level of service users or programme beneficiaries. In evaluation literature, outcomes are understood as not directly under the control of a delivery organisation: they are affected both by the implementation of a service (the activities and outputs it delivers) and by behavioural responses from people participating in that programme. Achieving these outcomes 'triggers' outcome payments within an outcomes contract or SIB arrangement.

---

**Outcome-based contract** A contract where payments are made wholly or partly contingent on the achievement of outcomes. Also known as an outcomes contract.

---

**Outcome fund** Outcome funds pool capital from one or more funders to pay for a set of pre-defined outcomes. Outcome funds allow the commissioning of multiple impact bonds under one structure. Payments from the outcomes fund only occur if specific criteria agreed ex-ante by the funders are met.

---

**Outcome payer** The organisation that pays for the outcomes in an impact bond. Outcome payers are often referred to as commissioners.

---

**Outcome payment** Payment by outcome payers for achieving pre-agreed outcomes. Payments may be made to investors in an impact bond or to service providers in other forms of outcome-based contracts.

---

**Procurement** Acquisition of goods and services from third party suppliers under legally binding contractual terms. In impact bonds where the government is the outcome payer, procurement processes may play a role shaping the market, in defining the outcome specifications, the terms of the outcomes contract, pricing the outcomes, and selecting the parties.

---

**Public Contracts Regulations (PCR)** The regulations governing public contracting in the UK.

---

**Service provider** Service providers are responsible for delivering the intervention to participants. A provider can be a private sector organisation, social enterprise, charity, NGO, or any other legal form.

---

**Service users** See Cohort.

---



**Social Impact Bond (SIB)** A type of outcome-based contract that incorporates the use of private funding from social investors to cover the upfront capital required for a provider to set up and deliver a service. The service is set out to achieve measurable outcomes established by the commissioning authority and the investor is repaid only if these outcomes are achieved. Increasingly, SIBs are also referred to as Social Outcome Contracts (SOCs).

---

**Special purpose vehicle (SPV)** A legal entity (usually a limited company) that is created solely for a financial transaction or to fulfil a specific contractual objective. Special purpose vehicles have been sometimes used in the structuring of impact bonds.

---

**The National Lottery Community Fund (The Community Fund)** The Community Fund, legally named the Big Lottery Fund, is a non-departmental public body responsible for distributing funds raised by the National Lottery. The Community Fund aims to support projects which help communities and people it considers most in need. The Community Fund manages the Life Chances Fund on behalf of DCMS.

---

**Top-up fund(ing)** An outcomes fund may provide a partial contribution to the payment of outcomes where the remainder of outcomes payments are made by another government department, local government, or public sector commissioner. In the LCF the partial contribution from DCMS ‘tops up’ the locally funded payment for outcomes and is intended to support the wider adoption of social impact bonds (SIBs) commissioned locally.

---

**Voluntary, community, and social enterprise (VCSE) sector** A ‘catch all’ term that includes any organisation working with social objectives ranging from small community organizations to large, registered charities operating locally, regionally, and nationally.

---

# Executive summary

## THIS REPORT

---

This is the first of three reports from the Life Chances Fund (LCF) Primary Evaluation<sup>1</sup> being undertaken by the Government Outcomes Lab (GO Lab) at the University of Oxford. The Department for Digital, Culture, Media & Sport (DCMS) launched the LCF in 2018 as an £80 million outcomes fund to support locally commissioned social impact bonds (SIBs). Structured in two parts, part I of this report describes the application process undertaken by the LCF and the 31 projects that were offered funding using management information, survey data, and qualitative data from a focus group. In part II, the report uses management information and administrative documents to describe the adaptations LCF projects initially undertook considering the Covid-19 pandemic, over the period of March - October 2020.

The focus of this report is describing the characteristics of LCF projects and their experiences of the outbreak of Covid-19. This, coupled with the use of secondary data, means that the findings and recommendation have limitations as outlined in sections 1.1 and 2.1. The analysis for this report was undertaken in December 2020.

## KEY FINDINGS

---

### Part I: An introduction to LCF projects

Part 1 of the report describes the progress of LCF projects through the application process and gives detail on the key characteristics of SIBs funded through the LCF. This answers the first part of the Primary research question: What are the characteristics of SIB projects funded through the LCF<sup>2</sup>

The five-stage LCF application process received 197 expressions of interest with 31 projects ultimately successful in securing funding. Applicants reported benefits from the application process - improved relationships and commissioning knowledge - despite its administrative intensity.

An important source of significant cost and frustration for applicants was the local procurement procedures required for launching SIBs. The novelty of commissioning on

---

1 Further detail on the LCF evaluation strategy can be found at: <https://www.gov.uk/government/publications/evaluation-strategy-for-the-life-chances-fund>

2 The full research question is: What are the characteristics of SIB projects funded through the LCF and to what degree are they successful in achieving specified social outcomes? Subsequent outputs will address the second part of the research question as it is too early in the delivery cycle to assess this.

outcomes, and the involvement of investors, meant that standard market engagement and procurement procedures were not always fit-for-purpose. Nevertheless, some projects were able to successfully apply the flexibilities afforded to them in the Public Contracts Regulations, 2015.

The 31 LCF-funded SIBs sit across six policy areas: child and family welfare (10 projects); employment and training (8), health and well-being (5), homelessness (4), education and early years (3), and criminal justice (1). 18 projects were commissioner-led, seven were intermediary-led, and six were provider-led.

The full network of actors in the LCF includes all project partners, investors and/or their representatives, and the LCF delivery partnership (i.e., DCMS, GO Lab, and the LCF grant manager The National Lottery Community Fund [The Community Fund]). Stakeholder network analysis found that unsurprisingly, the LCF Delivery Partnership has the greatest number of connections in the network as they part-fund every project. Investors and their representatives are the next most connected stakeholder: Bridges Fund Management invests in 9 LCF projects, and Big Issue Invest, 14 projects. Intermediaries like Social Finance are the third most central stakeholder group.

## **Part II: The LCF and Covid-19: March - October 2020**

On 23 March 2020, the UK entered a national lockdown aimed at limiting the spread of Covid-19. This caused significant disruption to the operations of social services, including SIBs. In April 2020, DCMS offered LCF projects three options for central funding: pause services altogether, continue delivery on an outcomes basis, or switch to activity payments. For the period March-October 2020, this evaluation examined whether project characteristics are associated with project decisions to pause, switch to grants-based payments, or stay on outcomes payments. It also explored whether local contracts aligned to central government guidance and how services and measurement systems adapted to the pandemic. Three key research questions were explored:

- RQ1: How was LCF SIB funding adapted in response to Covid-19 and how did project characteristics relate to funding decisions?
- RQ2: Were contractual terms found to be fit for purpose?
- RQ3: How did LCF SIB services adapt in response to Covid-19?

### *RQ1 - How was LCF SIB funding adapted in response to Covid-19 and how did project characteristics relate to funding decisions*

Of the 31 projects signed off by December 2020:

- **10 continued on outcomes payments.** Projects staying on outcomes-based payments largely focused on child and family welfare, and tended to be commissioner-led, launched before lockdown, and using investor-controlled SPVs.

- **14 switched to grants based on projected medium case performance.** These projects mostly focused on employment and included those with some of the highest proportions of LCF funding, although other projects with high dependence on LCF funding continued on outcomes or paused delivery.
- **7 elected to pause<sup>3</sup>.** These projects were often associated with health. They were generally launched after lockdown began on the 23 March 2020 and had some of the highest numbers of stakeholders involved.

#### *RQ2 - Were contractual terms found to be fit for purpose?*

There was a common experience among lawyers and some procurement practitioners: **the contract clauses dealing with emergencies and changes commonly used in public contracts - and thus, used in SIB contracts including some LCF projects - were generally unhelpful.**<sup>4</sup> The primary tool within public contracts for dealing with emergencies are force majeure clauses designed to enable early termination. In SIBs, parties instead wanted to make changes to ensure continued support service users. Some described coming together informally, leveraging relationships and governance mechanisms more than contractual procedures to resolve challenges.

#### *RQ3 - How did LCF SIB services adapt in response to Covid-19?*

There were two key forms of adaptation to service delivery:

- **Changing the delivery of core interventions from face-to-face to virtual delivery.** To accommodate restrictions on social contact, services adopted virtual delivery formats, including remote counselling sessions, online tutoring, and training. This was delivered through phone calls, online video conferencing tools, social media, and emails.
- **Adding crisis support interventions.** Responding to changing needs of service users considering the pandemic, some services expanded their offering to include mental health support, supply of basic goods, supporting access to digital communication tools, welfare advice and general Covid-19 guidance.

These adaptations led to several concerns surrounding user disengagement, reduced service impact, volatility in referral numbers and ultimately a reduced ability to achieve outcomes due to lockdown measures. Nevertheless, benefits were seen to flow from these adaptations: virtual or phone-based service delivery enables easier attendance to services for service users and their families (where appropriate), and reduces travel time for caseworkers, allowing them to offer more support by phone or video call.

---

<sup>3</sup> 'Pause' is used throughout this report to describe projects that either i) elected to suspend service operation at the outset of the pandemic as well as ii) projects that had not yet begun delivering services.

<sup>4</sup> As outlined in section 2.2, lawyers and procurement practitioners were consulted through general meetings of the Emergency Responses and Government Outcomes and Procurement of Government Outcomes peer learning groups. Participants were not necessarily commenting specifically on LCF projects but were aware of these.

## RECOMMENDATIONS

---

### Guidance and support

Given the feedback from applicants on the administratively burdensome application process, future outcomes funds should set clear expectations regarding the amount of time and effort it takes to develop a viable SIB, including communicating in advance documentation requirements of participating in the fund. Additional guidance on key aspects like financial modelling and procurement would enable local partners to navigate the development process more easily. Bespoke support to local authority legal teams would be hugely beneficial.

### Transparency

Enhanced transparency and reporting around the LCF applications process, including SIB performance in the longer-term, is a key opportunity to advance local practice and improve the design and implementation of future outcomes funds and SIBs as well as related models of outcomes-based contracting for public services.

### Flexibility

Contractual terms like force majeure were found to be unhelpful at the outset of the crisis, as they concentrated on termination rather than the adaptation that stakeholders wanted. The security enabled by DCMS' offer of temporarily altered payment mechanisms could be built into outcomes contracts to allow projects to continue in the face of unexpected events.

The long-term nature of the outcomes payments allowed projects to focus on service continuity and adaptation whilst working towards longer-term outcomes. In some instances, however, originally specified outcomes were found to be inflexible considering the crisis. Longer-term, the outcomes initially specified by projects may require reprofiling depending on how well a project is able to continue to deliver contracted outcomes through adapted services and contextual uncertainties.

# Introduction

## WHAT IS THE LIFE CHANCES FUND?

---

The Life Chances Fund (LCF) was launched as an £80 million top-up fund for outcomes payments in social impact bonds (SIBs) commissioned by local governments in England.<sup>5</sup> It is aimed at tackling complex social problems across policy areas like child and family welfare, homelessness, health and wellbeing, employment and training, criminal justice, and education and early years. Project bids were invited across three application rounds.

The LCF aims to support people who face the most significant barriers to leading happy and productive lives by supporting the growth of locally developed SIBs. In addition, by increasing the number and scale of SIBs in England, LCF aspires to make it easier and quicker to set up future SIBs, and to build evidence on what works. Funding was made available for multi-year SIB projects as the LCF runs for nine years from July 2016 to March 2025.

Specifically, the LCF has the following objectives:

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

The fund is administered by The National Lottery Community Fund (The Community Fund, formerly known as the Big Lottery Fund) on behalf of the VCSE Public Sector Commissioning Team (formerly the Centre for Social Impact Bonds) at the Department for Digital, Culture, Media and Sport (DCMS).

---

<sup>5</sup> Originally an £80m fund, the overall fund spend of the LCF was reduced to £70m as part of the DCMS' budget negotiations in September 2020. This does not affect the ability to deliver existing commitments to projects in the Fund.

## WHAT ARE SOCIAL IMPACT BONDS?

---

SIBs are a model for organising and delivering public services. By bringing together commissioners (often central or local government), service providers (usually from the VCSE sector) and investors or their representatives (typically social or philanthropic), SIBs attempt to improve social outcomes for service users. As a form of outcomes-based commissioning, repayment to investors is predicated on achieving the pre-agreed outcomes. SIBs try to improve on more commonly applied commissioning approaches (such as in-house provision, grants to independent provider organisations or ‘fee for activity’ contracting) by providing upfront capital for delivery organisations, encouraging robust measurement of outcomes, and prioritising quality and efficiency in service delivery.

## WHAT IS THE LCF EVALUATION?

---

Although some evaluations exist for earlier, non-LCF SIBs, the existing evidence base remains partial. Most previous evaluations have focused on the implementation or efficacy of specific interventions (i.e. the service funded by the SIB), though often without robust quantitative impact evaluation (Carter et al., 2018; see also Fox & Morris, 2019). A particular challenge in the evaluation of SIBs has been the identification of relevant comparison projects against which to compare this new model for public service delivery. Policymakers, practitioners, and researchers are keen to develop a more detailed understanding of the SIB model. A key contribution of the LCF evaluation is to clarify whether, where, and how SIBs add value when compared to more conventional public service provision.

The LCF evaluation is structured across three strands: The Fund-level programme evaluation led by ICF (an independent consultancy)<sup>6</sup>; the SIB-mechanism evaluation led by the Government Outcomes Lab (GO Lab) at the University of Oxford; and project-based evaluations led by local project teams.

The evaluation activities undertaken by the GO Lab are envisioned to elicit a clear ‘theory of change’ to identify how LCF SIBs are expected to improve social outcomes compared with alternative ways of commissioning services. Furthermore, the evaluation aims to respond to current gaps in research by focusing specifically on SIBs as a tool for public service delivery and reform rather than centring only on the intervention effect. The ambition is to assess ‘the SIB effect’ - that is, the influence of this commissioning model on social outcomes. In pursuing this wider programme of research, the GO Lab and VCSE Public Sector Commissioning Team hope to offer crucial thought leadership in the outcomes-based-commissioning landscape.

---

6 ICF. (2021). Process Evaluation for the Life Chances Fund. <https://www.gov.uk/government/publications/process-evaluation-for-the-life-chances-fund>

## LCF PRIMARY EVALUATION AND THIS REPORT

---

The LCF primary evaluation stream targets the SIB project level and provides descriptive information on all SIBs successfully established through the LCF. Following the onset of Covid-19 in early 2020, the GO Lab and the VCSE Public Sector Commissioning Team agreed to rescope components of the LCF primary evaluation stream to respond to the realities of the pandemic. The central research question covered by the primary evaluation remains: What are the characteristics of SIB projects funded through the LCF and to what degree are they successful in achieving specified social outcomes?

As initially scoped, the primary evaluation will result in three reports covering the full life cycle of LCF projects - from LCF application to the completion of LCF payments in 2025.

This report is the first in this series of three. It proceeds in two parts.

### **Part I: An introduction to LCF projects**

In the first section, An Introduction to LCF Projects, we describe the LCF application process, the awarding of contracts, and provide descriptions of the 31<sup>7</sup> funded LCF projects prior to March 2020.

### **Part II: LCF and Covid-19: March to October 2020**

In the second section, LCF and Covid-19: March to October 2020, we document LCF project adaptations to the Covid-19 crisis, focusing on the period from March to October 2020. Three research questions guide part II of this report.

- RQ1: How was LCF SIB funding adapted in response to Covid-19 and how did project characteristics relate to funding decisions?
- RQ2: Were contractual terms found to be fit for purpose?
- RQ3: How did LCF SIB services adapt in response to Covid-19?

---

<sup>7</sup> 32 projects were initially offered funding by the LCF, but one project failed to accept their offer and thus, was withdrawn from the Fund. By December 2020, 31 projects had been signed off to receive funding.



## PART I

# An introduction to LCF projects

## 1.1 METHODS I

---

This section uses a combination of data sources to describe the LCF application process, the awarding of LCF project contracts by local authorities, and the 31 funded LCF projects.

### 1.1.1 Management information from DCMS portal

To describe the LCF application process and funded projects, management information from the DCMS portal and survey data are used. The DCMS portal is the central administrative data portal for the LCF, owned by DCMS and updated by The Community Fund. Data from the DCMS portal which is publicly available can be found via the International Network for Data on Impact and Government Outcomes (INDIGO).<sup>8</sup> INDIGO project identifiers for launched LCF projects can be found in the Appendix. INDIGO supported the creation of LCF network maps included in section 1.4.3. and sets data standards for reporting on SIBs.<sup>9</sup>

### 1.1.2 Survey data

Survey data was collected from commissioners and providers on 19 LCF projects. The survey was designed to capture project insights at the early stages of project mobilisation and included a mix of quantitative, validated measures, and open-ended qualitative questions. Each of the 19 projects were surveyed as close to project sign-off as possible. Surveys were administered to commissioners and providers involved in each LCF project launched

---

<sup>8</sup> The INDIGO initiative includes community activities, a system for sharing data, and various datasets available as open data on the GO Lab website: <https://golab.bsg.ox.ac.uk/knowledge-bank/indigo/>

<sup>9</sup> This report uses standard data definitions via INDIGO where possible. INDIGO data definitions can be found here: <https://indigo-data-standard.readthedocs.io/en/latest/data-dictionary/index.html>



between August 2018 and November 2019. A total of 142 invitations were sent resulting in 82 responses, a response rate of 58% with a median of three responses per project.

Changes to the administration of the LCF initially halted survey administration in November 2019 with further complications brought on by the outset of Covid-19 in early 2020. The remaining 12 LCF projects did not receive surveys because they had neither mobilised for project delivery nor been formally signed-off as of November 2019. Preparatory work was underway to ‘relaunch’ the survey in early 2020 for remaining projects; however, at the outset of the pandemic, this effort was redirected toward developing new survey tools better designed for the changing context.

### **1.1.3 Focus group**

Due to the limited number of investment organisations active on LCF projects, the general views from investors and/or their representatives in the LCF were captured via focus group rather than through surveying. Due to other ongoing evaluation efforts requiring interviews with UK SIB investors, semi-structured interviews were not pursued to avoid overburdening participants.<sup>10</sup>

The focus group was structured to unpick how investors understood and characterised their role in SIB projects. Executed in partnership with The Community Fund, the focus group occurred during the September 2019 regular meeting of the Social Outcomes Contract Investor Forum, a discussion group including social and philanthropic investors and their representatives convened quarterly by Big Society Capital.

The focus group included a structured facilitation of a matching game designed to capture investor and investor representatives’ views of their added value in SIBs. In it, participants were asked to ‘match’ common problems faced by commissioners to the various solutions offered by investment. After matching cards which described commissioner problems to investor solutions individually, participants reflected as a group on questions about their experience playing this game, providing detail about their role and how they attempt to align risk across SIB parties. Eight people participated in the 90-minute focus group representing six investment organisations. Analysis here explored patterns in the card matches made by participants and detailed discussion notes capturing dialogue during the event.

### **1.1.4 Tenders Electronic Daily**

To describe the awarding of contracts through procurement procedures, this section uses procurement notices published in the Official Journal of the European Union and available on the Tenders Electronic Daily (TED) website.

### **1.1.5 Limitations**

Part I is primarily informed by secondary data analysis (i.e. management information from the DCMS portal). As such, the insights offered by this analysis may be of a general nature rather than responding to specific research questions.

---

<sup>10</sup> Over the same time period, ICF were conducting field work for the LCF programme evaluation, GO Lab evaluation had begun in Kirklees and Children’s Social Care LCF projects, and evaluations for Commissioning Better Outcomes, a Community Fund outcomes fund, were ongoing.

A reliance on secondary data also means that the quality of analysis is dependent upon the quality of data used. Efforts have been taken to validate the management information used in analysis, and the research team have provided interpretation in the text where this has been necessary to support understanding.

Projects continued to change after receiving formal sign off. As a result, data can quickly become outdated. This report relies on data current as of December 2020. Subsequent changes to the LCF, affiliated organisations, or its funded projects may not be reflected in this report.

Where primary data collection has occurred - through the survey and focus group - care has been taken to be as representative of LCF projects and stakeholder groups as possible. The survey targets multiple respondents within commissioner and provider organisations, and the focus group included a range of different investment organisations.

Importantly, although the findings in part I of this report offer transferable learning, the analytic approach does not offer generalisable results. What is described in this report is in no way intended to reflect the full population of SIBs.

## 1.2 APPLICATION PROCESS

---

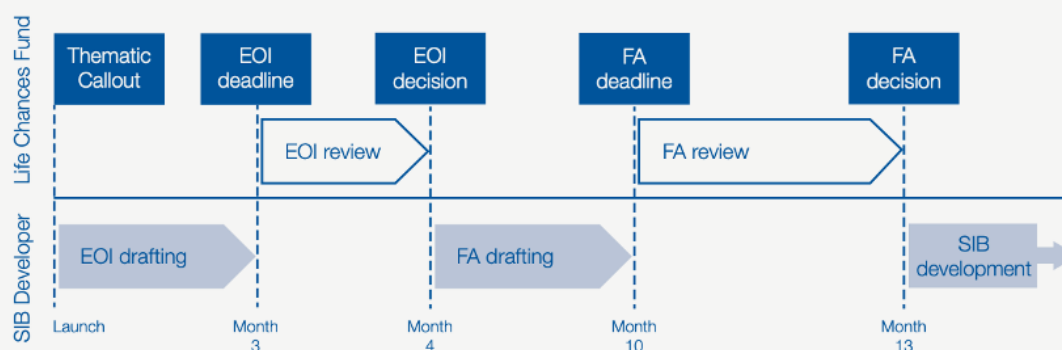
The Community Fund oversaw the LCF application process and manages the funding on behalf of DCMS. The application process had five main stages described below (see also Figure 1).

1. **Expression of Interest (Eoi):** In this initial stage, applicants were asked to submit clear and 'realistic' outline proposals using a standardised online form. Applicants supplied high-level information about their proposed projects including organisations involved, objective and location of the proposed project, potential outcomes, intervention, estimated costs and savings. These were then evaluated against LCF criteria, with decisions on Eois made within four weeks of submission by an expert panel assembled by DCMS. Applicants could also choose to apply for a development grant at this stage, to fund additional project development work. A dedicated contact (funding officer) from The Community Fund was assigned to each project to assist them with next steps.
2. **Full Application (FA):** Successful Eois were required to submit a Full Application within six months. Applicants again completed a standardised online form, this time with greater detail on the social issue to be addressed and the envisioned impact of the project, service user eligibility criteria, the referral, intervention, and service delivery approaches, outcomes and payment triggers, financial modelling, and value for money, as well as plans for evaluation and learning. Decisions on full applications were expected to be made within three months of submission. Funding officers from The Community Fund were fixed at this stage and worked with

projects to progress applicants to the in-principle award stage.

3. **In-principle award:** Successful full applications received an in-principle award letter from The Community Fund that expressed a commitment to fund outcomes and encouraged projects to actively develop their impact bond and move towards project launch. Letters included the exact outcome payment (or ‘top up’) from DCMS, along with agreed project details and further terms and conditions of accepting the grant, including participation in LCF evaluation activities. Applicants were required to meet these terms to proceed to full award in the next stage. A senior representative from the applicant organisation signed and returned the letter to The Community Fund, thereby agreeing to continue the process.
4. **Submission of Full Award Setup Form:** The Full Award Setup Form, a standardised online form, was the final submission from applicants to the LCF process. These captured applicants’ progress towards launch and any project changes that had occurred during the intervening development process. The Community Fund also sought confirmation from projects of meeting in-principle terms. Outcomes, financials, social investment, costs and governance were also confirmed. Projects continued to work with assigned funding officers to ensure continuity of work and build rapport.
5. **Full award offer letter:** A panel reviewed the content of full award setup forms through reports and presentations prepared by The Community Fund. Upon panel approval, The Community Fund issued a full award offer letter confirming the final funding offer from the LCF alongside a summary of project details, terms and conditions of the offer, and advice on starting the project and publicising the grant award. A senior representative from the applicant organisation signed and returned the letter to The Community Fund, thereby accepting and formalising the grant offer.

**Figure 1 Indicative timeline of initial LCF stages**



Source: Cabinet Office, 2016. As communicated within the application guidance from the Cabinet Office.<sup>11</sup>

<sup>11</sup> At the launch of the LCF, the then Centre for SIBs (now the VCSE Public Sector Commissioning Team) was part of the Cabinet Office and later migrated to DCMS.

As shown in Figure 2, the LCF received a total of 197 Expressions of Interest (Eols) of which 31 (16%) eventually received a full award offer letter. Breakdowns of withdrawn and unsuccessful projects are summarised in Figure 3.

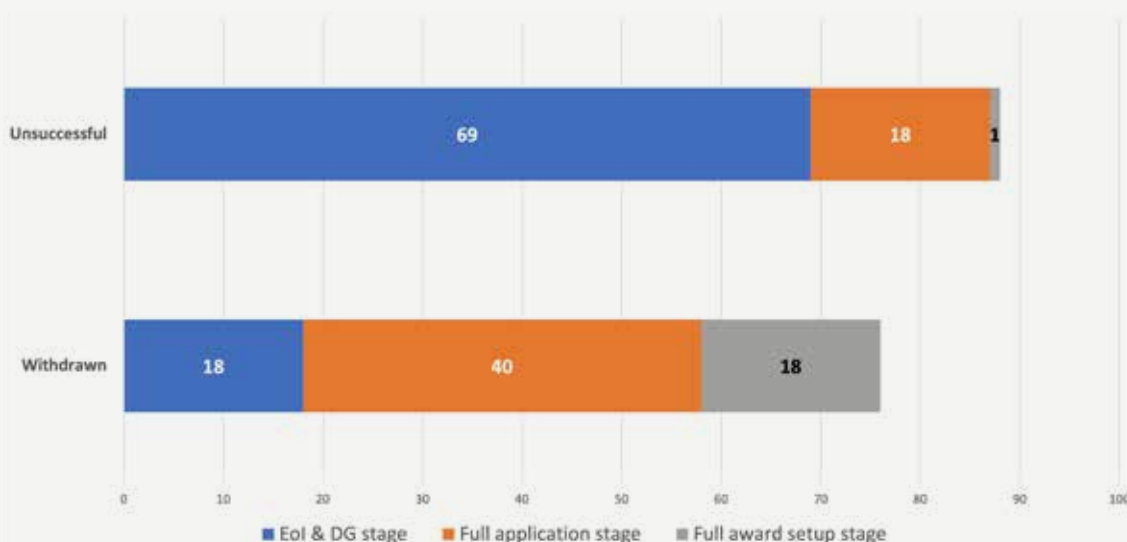
- Of the 164 applications which did not make it through the process, **88 were rejected** and **76 withdrew** of their own accord.
- **Of the 88 that were rejected**, 69 were rejected at the Eol and development grant (DG) stage, and 18 at the full application stage.
  - Only one application was rejected at the full award stage, while one was rejected at the pre-launch stage for not fulfilling the conditions of its award.
- **Of the 76 projects which chose to withdraw**, 18 withdrew after the initial Eol and DG stage (6 after Eol, and 12 after being successful at Eol stage). However, most withdrew after submitting a full application: 40 at the full application stage and 18 more after receiving an in-principle agreement.

Figure 2 Progression of applications through the LCF<sup>12</sup>



Source: GO Lab researchers' interpretation of data from DCMS Data Portal

<sup>12</sup> As of December 2020, a total of 31 projects had been signed off to receive funding from the Life Chances Fund. Since then, one project has withdrawn from the process. There are now 30 signed off projects, with one project yet to start service delivery.

**Figure 3 Unsuccessful and withdrawn LCF application**

Source: DCMS Data Portal for LCF

### 1.2.1 Application experience in projects' own words

The 2018-19 survey of LCF commissioners and providers asked respondents to reflect on the unexpected benefits and challenges of the LCF application process in a series of open-ended questions (for more detail see LCF Primary Evaluation Survey Wave 1 in the Technical Annex). Their responses are described below.

#### 1.2.1.1 Unexpected benefits

Improved cross-sectoral and cross-organisational relationships were cited by respondents as an unexpected benefit of participating in the LCF application process. Respondents particularly valued knowledge- and relationship-building with the social investment market, and referred to having improved their understanding of developing and launching a SIB. For commissioners, this understanding was characterised by references to enhanced financial modelling and improved commissioning skills, including technical and relational tendering and contract negotiation capabilities. For providers, improved understanding was demonstrated in increased project management skills, with added benefits of organisational empowerment and enhanced organisational reputation.

‘To be able to move the organisation from a reliance on waiting for tender opportunities and contract income to becoming a much more proactive and flexible organisation with something of value to offer to potential LA commissioners.’  
Service Provider

### 1.2.1.2 Challenges

Administrative burden emerged as a challenge for LCF applicants. Respondents reported experiencing changing timescales and infrequent communication, as well as disproportional and changeable information requirements from the Fund<sup>13</sup>. A criticism was that these administrative hurdles required applicants to make substantial resource commitments, including recruiting staff, without any funding security. The resource intensity of the application process posed a particular challenge to smaller organisations. A lack of understanding of the SIB model was a further obstacle in the application process. Respondents had issues developing the business case and setting up a financial model. As a result, many surveyed projects had to rely on external expert advice.

‘Finance modelling of social finance is totally different to local public sector models and behaviours, which required significant flexibility.’ Commissioner

Another key challenge was contract negotiation, which respondents felt was too lengthy and resource intensive. This included agreeing outcomes payments while avoiding perverse incentives. Some providers referred to uneven power dynamics between themselves and commissioners and/or social investors, exacerbated by a lack of transparency around what is built into financial models. Similarly, commissioners mentioned a lack of transparency and a different approach to risk from investors as a challenge for the collaboration.

‘[A key challenge was] understanding the culture and seeming lack of transparency within the social investor - trying to understand all the hidden charges and fees that they have built into the model to protect their investors’ interests and minimise their risk.’

*Service Provider*

‘Procurement processes in terms of transparency in working with a social investor who fronted the LCF bid to mitigate from any legal challenges from other potential investors who may have been in a position to have made a bid.’

*Local commissioner*

Providers also noted challenges in adapting their existing service delivery to an outcomes-based contract. This entailed changes to the intervention design, staff recruitment and retention challenges, and managing staff anxiety. Respondents considered relationship management a further challenge, as resource constraints meant they had limited capacity to engage in the complexity of co-ordinating multiple

<sup>13</sup> DCMS officials indicate that adjustments to timelines were made in response to requests from applicants and that revised deadlines offered projects more time to develop quality proposals.



stakeholders. Moreover, respondents reported difficulties securing internal and external buy-in. Providers perceived that the long-standing austerity context proved to be a particular barrier to commissioner buy-in, while commissioners experienced difficulties in persuading their own organisations to agree to the SIB process which did not always fit well with established budgetary timelines and procurement mechanisms as described below.

### 1.2.2 Investors in project set up

This section summarises the key themes which emerged from the investor and investor representatives/fund manager focus group described in Methods I.

#### 1.2.2.1 Investor role

Participants principally described the investor role as providing up-front funding for services or providing what they termed as ‘at-risk’ performance management: where making a return was predicated on their ability to steer the project to deliver outcomes, rather than simply supplying capital. In this way, investors and/or investor representatives described themselves in two ways, depending on the commissioning problem to which they were responding: i) enabling small and/or VCSE sector organisations to participate in public payment-by-results contracts - by fulfilling short-term capital needs for service providers; ii) as at-risk performance managers, addressing commissioners’ desires to improve the efficiency and quality of public services under their direction. Investors viewed at-risk performance management as a *mechanism for achieving local optimisation of social outcomes*.

#### 1.2.2.2 Investor risk

Regarding risk, a standard definition or understanding did not concretely emerge amongst participants. However, there was agreement that the investor risk-bearing function precedes formal project launch. Investors and their representatives see themselves as carrying the risk of getting the project off the ground. A parallel was drawn between investing in nascent LCF projects and a real estate developer seeking planning permission on a parcel of land: the risk is in getting permission to build. Figure 2 illustrates this reality as it pertains to attrition in the LCF: investors and their representatives must engage in a great deal of scouting and due diligence to appraise projects, knowing that a large portion of them will not make it to launch.

Finally, in speaking about their own experiences of the LCF application process, focus group participants agreed that the design of the Fund - which mandates projects include an independent investor - has, on occasion, forced investors to become involved in projects that did not financially require investment. In other words, there were instances where providers were capable of self-funding or where outcomes could be specified in such a way that external investment would not be required.



### 1.3 AWARDING CONTRACTS: LOCAL PROCUREMENT AND CONTRACTING

---

This section describes how local actors in LCF-funded projects procured and contracted services in their SIB. SIBs require government commissioners to act as purchasers of outcomes and as such the process of developing and awarding the outcomes contract is a crucial part of describing LCF projects. As a fund that offers top-up funding to locally commissioned SIBs, the LCF application process, as laid out by DCMS, was not explicitly linked to the process local contracting authorities must go through when seeking to award an outcomes contract - from defining a procurement approach, market engagement, selecting suppliers, evaluating tenders, and ultimately awarding and managing a contract. Throughout this section, policy documents help frame the analysis of data made available through TED.

The research team reflected that existing challenges and limited capacity at the local level may have been exacerbated by the LCF application process and complexities of a SIB. The design of the LCF, which required each SIB to be procured and contracted by a local commissioner<sup>14</sup> meant that each project had to procure and contract services individually, with considerable duplication of effort across the Fund, and no systematic guidance from DCMS - only the template SIB contract<sup>15</sup> and light-touch support from the LCF delivery partnership.

#### 1.3.1 Background: Procuring and contracting public services

*The Public Contracts Regulations 2015 (PCR) is the law providing for market engagement and the variety of procurement processes for awarding public contracts.<sup>16</sup> PCR is a national law offering flexibility to contracting authorities, but as documented in the recent Green Paper: Transforming public procurement and academic literature, local authorities vary greatly in their ability to take advantage of its flexibilities.<sup>17, 18</sup>*

---

14 DCMS. Life Chances Fund Frequently Asked Questions. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/876934/LCF\\_FAQs\\_FINAL\\_DRAFT.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/876934/LCF_FAQs_FINAL_DRAFT.pdf)

15 DCMS. (2017). Guidance on template contract for social impact bonds and payment by results. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/645183/20170223\\_FULL\\_GUIDANCE\\_SIB\\_TEMPLATE.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/645183/20170223_FULL_GUIDANCE_SIB_TEMPLATE.pdf)

16 Public Contracts Regulations. (2015). <https://www.legislation.gov.uk/uksi/2015/102/contents/made>

17 Cabinet Office. (2020). Green Paper: Transforming public procurement. <https://www.gov.uk/government/consultations/green-paper-transforming-public-procurement>

18 Loder, Kim. (2015). SME suppliers and the challenge of public procurement: Evidence revealed by a UK government online feedback facility. *Journal of Purchasing and Supply Management*, 21(2), 103-112. <https://doi.org/10.1016/j.pursup.2014.12.003>.

### Flexibility in the Public Contracts Regulations

PCR provide for preliminary market consultations (PCR 40) and a variety of procedures that are designed to allow flexibility in contracting (PCR 26 - 32). In this way, PCR provides ample flexibility for back-and-forth exchanges between the commissioner and bidders before and throughout the process. This back-and-forth may be especially helpful to avoid over-prescription of activities, outputs, or outcomes too early in the process.

Market consultations allow the commissioner to seek or accept advice from experts and market participants (PCR 40(2)) so long as these consultations do not distort competition or violate the principles of non-discrimination and transparency (PCR 40(3)). An actor may also be involved in the preparation of a procurement and then bid on the contract, so long as the relevant information shared or developed is also communicated to other potential offerors, and adequate time for responses is provided (PCR 41).

There are a wide range of procedures available to a commissioner under various circumstances. These include making a direct award to a single actor after notifying the market of the intention to do so.<sup>19</sup> The commissioner's options also include running a competition with rounds of questions and answers with individual actors - called a competitive procedure with negotiation (PCR 29) or competitive dialogue (PCR 30).

For social services contracts, like those used by LCF projects, there is even more flexibility around procedures under what is known as the 'light touch regime' (PCR 74 - 76). All these flexibilities were in place in the 2015 regulations and long before Covid-19.

The LCF application process required projects to describe aspects of their SIB which market engagement activities are largely designed to inform. In instances where local actors have limited capacity, issues with the project design may be identified after the terms of the procurement and contract have been set, with little or no recourse to make revisions without running a new process. For example, the contractor may want some guaranteed number of people entering the program, or the local authority may want to change the number or eligibility of people entering the project.

#### 1.3.1.1 Contracting for services

In addition to strategically defining a procurement approach, LCF projects also had to set contract terms, something not prescribed by the PCR. Central government offers a

---

<sup>19</sup> This is not called a direct award in PCR - it is a "negotiated procedure without prior publication" (PCR 32) and the mandatory notice is elsewhere referred to as a "Voluntary Ex Ante Transparency Notice" or commonly "VEAT." See PCR 99 regarding voluntary notices.

model services agreement, but in practice local authorities have standard sets of terms and conditions that they attach to their contracts.

These standard terms and conditions vary by local authority and can include terms inappropriate for SIBs. For example, in a local council's standard service contract, the council may have the right to reduce the number of people that enter a project and simply reduce the amount that is to be paid for the service accordingly. However, in a SIB, upfront financing, investment, and the agreed outcomes payments may be predicated on outcomes requiring a specific number (or range) of project participants to be referred by the local authority. The parties may want to agree to a guaranteed minimum and/or revise the standard terms around subsequent reductions in referrals or cancellation of the project. This may require negotiation of the standard terms, which likely requires a review by the local authority's legal team. Where similar issues are being negotiated by many local councils and involving each council's legal teams, the total transaction costs (i.e., commissioning and development costs) rise accordingly.<sup>20</sup>

### 1.3.2 Procurement and contracting in the LCF

Regarding procurement procedures, the LCF did not seek to limit the flexibility of commissioners. The LCF Frequently Asked Questions (FAQ) document states:

*“We expect your contracting arrangements to offer good value for money, selecting any new providers through open procurement involving consideration of at least three potential suppliers. Use of pre-qualification questionnaires, drawing from a pool of experienced potential suppliers, Voluntary Ex-Ante Transparency (VEAT) notices and similar arrangements are all acceptable provided they are compliant with the commissioner's financial standing orders and national contract law.”*<sup>21, 22</sup>

In response, commissioners of LCF projects used a wide variety of these procedures. Of those for which data are available, most SIBs were launched using the flexibilities of the light touch regime and/or a competition with some form of restriction, dialogue, and/or prior negotiation as shown in Table 1. Our information is incomplete, however, as procurement transparency notices were not available via TED in nine projects.

---

20 GO Lab Procurement guide. [https://s3.eu-west-2.amazonaws.com/golab.prod/documents/GO\\_Lab\\_Procurement\\_Guide\\_-\\_2nd\\_Edition\\_March\\_2018.pdf](https://s3.eu-west-2.amazonaws.com/golab.prod/documents/GO_Lab_Procurement_Guide_-_2nd_Edition_March_2018.pdf)

21 DCMS. Life Chances Fund Frequently Asked Questions. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/876934/LCF\\_FAQs\\_FINAL\\_DRAFT.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/876934/LCF_FAQs_FINAL_DRAFT.pdf)

22 The first and second sentences here are somewhat contradictory, but the point is that all PCR procedures are on the table.

### Comparing Procurement Procedures in LCF Projects

The **Midlands Regional Pause Hub** used the direct award process and their Voluntary Ex-Ante Transparency (VEAT) notice was published online. The November 2019 VEAT notice includes a description of the procurement and some explanation for the choice of procedure:

*Northamptonshire County Council therefore intends to [sic] award via a social investor, to enable a licenced provider; Ripplez CIC, to deliver the programme in Northamptonshire. Ripplez CIC is the only independent provider in the region currently licensed by Pause National to deliver this programme with access to the Life Chances Fund grant funding.*

A very different example is that of **Stronger Families Suffolk** commissioned by Suffolk County Council, in which there was a prior market engagement workshop in November 2017, a competitive procurement announced in March 2018, and an award announced in November 2018. Note that the award was announced a full year after the prior market engagement.

In November 2017, the prior market engagement was described in a Prior Information Notice published online and offered the opportunity for social investors to meet service providers. The notice stated:

*Suffolk County Council Children & Young People's Services would like to invite Service Providers with experience of delivering intensive family support, Social Impact Bond Investors and Intermediaries with an interest in developing and delivering a Social Impact Bond to reduce the need for young people to enter Care to join Commissioners at an engagement workshop on Friday 24.11.2017, 13:30 – 16:00 in Ipswich, Suffolk. The workshop will offer an opportunity to hear about the Council's vision and objectives and outcomes for the Social Impact Bond, the current stage of development and planned process and key proposed contract details. A feedback session will provide the opportunity for participants to input into how the Social Impact Bond could be most helpfully structured to achieve the intended outcomes. It will also offer an opportunity for Service Providers to meet Social Impact Bond Investors.*

In March 2018, the Commissioner announced a competitive procurement in a Contract Notice, in which the procedure was described as complying with the 'Light Touch Regime under the EU Procurement Rules and the Public Contracts Regulations 2015 and is an Open Competitive process with negotiation.'

The procurement was to be split into three lots (mini procurements):

- Lot 1 for a social investor and social provider;
- Lot 2 for a social investor only; and
- Lot 3 for a social provider only.

According to the Contract Notice, tenders were due in April 2020, but there may have been a series of negotiations with offers after this date. Based on the procurement notices, this seems to be a sensible and clever way to procure this project. The local authority gave itself multiple options (“Lots”) and clearly communicated to the market that it was doing so.

In November 2018, the Commissioner announced an award to Bridges Social Impact Bond Fund (as investor) and Better Outcomes Better Value (as provider) for Lot 1 using a Contract Award Notice. The same notice said there were no awards made for Lot 2 or Lot 3. The Commissioner thereby availed of one option under PCR: commissioning the social investor and provider together.

**Table 1 LCF SIB procurement procedures**

Procurement Procedure Type(s)	Number of Projects
Simple Open Competition	5
Competition with Restriction, Dialogue, Negotiation and/or Light Touch*	11
Direct Award and/or VEAT Notice	4
Incomplete or missing data	9
Total Number Analysed <sup>23</sup>	29

Source: Procurement notices published in the Official Journal of the European Union and available on the Tenders Electronic Daily (TED) website (Publication of these notices is required by PCR).

On contracting, the LCF sought to address challenges by providing a SIB Template Contract, along with guidance on the DCMS website. This SIB Template Contract deviates from local authorities’ standard terms and conditions resulting in the involvement of each authority’s legal team on similar issues on different sets of standard terms and conditions with likely cost implications for the LCF applicants.

<sup>23</sup> As of December 2020, only 29 of the 31 signed off projects had been awarded.

### 1.3.3 LCF procurement and contracting summary

While the previous analysis is limited in scope, it offers some learning about challenges related to procurement and contracting in LCF projects as summarised below.<sup>24</sup>

There is existing evidence to suggest that local authorities vary in their ability to use the flexibilities afforded by PCR, even for regular procurement of social and related services.<sup>25</sup> Procurement in some local authorities can be a very process-orientated, risk-averse function.<sup>26</sup> There are wider ongoing efforts - demonstrated by the December 2020 publication of the Cabinet Office Green Paper on transforming public procurement - to shift the culture and practice of procurement to take advantage of flexibilities and become more of a strategic function. This is the local context into which the SIB mechanism was offered by central government.

The presence of an investor and/or need for investment is especially novel. LCF required the use of third-party financing, so whether and how to include this in the procurement was a complication. Different LCF projects handled this in different ways (as demonstrated in section 1.3.2 Procurement and contracting in the LCF).

Projects encountered clashes between standard terms and conditions in a regular contract vs. terms and conditions appropriate for a SIB. Investors were concerned about funding projects with standard terms and conditions and/or without guaranteed minimum referral numbers (see section 1.3.1.1). The process of changing standard terms and conditions for a public authority can be time consuming and expensive - especially if the authority does not have legal capacity in-house.

## 1.4 DESCRIBING FUNDED PROJECTS

---

As documented in 1.2 Application Process, 31 projects were approved for funding through the LCF. In this section, using data from the DCMS Data Portal as well as the wave 1 primary evaluation survey, the 31 projects are described according to their policy area, number of stakeholders, and type of project lead, as well as governance structure and project duration. Then, the larger ecosystem of the LCF is described through network maps generated from the INDIGO dataset (and derived at source from the DCMS Data Portal).

---

<sup>24</sup> These and other issues were previously highlighted in the GO Lab's Guide to Awarding an Outcomes Contract, which was developed in consultation with local government procurement staff and lawyers advising parties to SIBs: <https://golab.bsg.ox.ac.uk/toolkit/technical-guidance/awarding-outcomes-based-contracts/#overview>

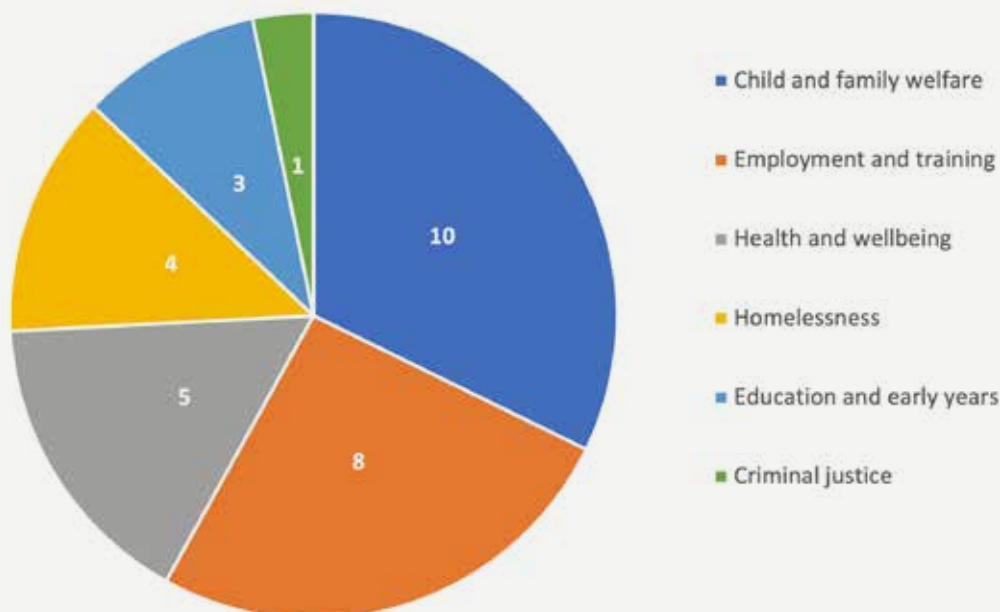
<sup>25</sup> Loder, Kim. (2015). SME suppliers and the challenge of public procurement: Evidence revealed by a UK government online feedback facility. *Journal of Purchasing and Supply Management*, 21(2), 103-112. <https://doi.org/10.1016/j.pursup.2014.12.003>.

<sup>26</sup> Cabinet Office. (2020). Green paper: Transforming public procurement. <https://www.gov.uk/government/consultations/green-paper-transforming-public-procurement>

#### 1.4.1 Policy areas, stakeholders, and project leads

Based on data on the DCMS portal covering all 31 projects, we see that LCF projects span six policy areas: child and family welfare (10 projects); employment and training (8), health and well-being (5), homelessness (4), education and early years (3), and criminal justice (1) (see Figure 4). Regarding the number of stakeholder organisations involved in LCF projects, 16 projects include between one and five stakeholder organisations, 11 include between six and ten stakeholder organisations, three between 11 and 15 stakeholder organisations, and one with over 15 stakeholder organisations. In terms of what kind of project stakeholder fulfilled the function of ‘lead applicant’- that is, they are understood to have taken a leadership role during the LCF application process, and continued to serve as the primary contact to The Community Fund for their project - 18 projects were commissioner-led, seven were intermediary-led, and six were provider-led.

Figure 4 LCF projects by policy area



Source: GO Lab researchers' interpretation of data from the DCMS Data Portal. Policy areas shown here are primary policy areas as reflected in projects' primary outcomes and aligned to policy areas defined by the INDIGO data dictionary. Some projects also fall in 'secondary' policy areas not shown here.

#### 1.4.2 Governance structures and project duration

It is possible to explore the governance structures and cross-sector relationships in the LCF projects by identifying which party/parties hold the contract with outcomes funders. In application forms and related diagrams, two configurations describe the bilateral or multilateral relationship between contracting parties. Of the 31 successful projects, 12 projects used “direct” outcomes contracts between outcome payers and service providers. Meanwhile, 19 projects decided to contract through special purpose



vehicles (SPVs). Nevertheless, there remains inconsistency in capturing the contractual structures governing LCF projects. SIBs can be governed by multiple contracts; the contract specifying outcomes can sit separately from agreements defining the relationship between investors and providers. Additionally, the LCF did not require projects to share the contract(s) which structure their SIBs with LCF, meaning a full inventory of the contracts - and hence structures - which govern these projects is not available to evaluators.

When asked about partner responsibilities for referrals and outcomes monitoring, respondents to the Primary Evaluation (wave 1) survey described a variety of models. Referral pathways for projects included self-referrals, referrals from single or multiple agencies (e.g. SIB providers, councils, the NHS, police, school). In some instances, these organisations were granted independent decision-making power over referrals. Alternatively, referral actors were part of representative multi-agency panels with shared decision-making power. In this sense, two types of referral systems were observed: one-tier systems where service user eligibility and acceptance onto a service were condensed into a single decision point often within the same entity; and two-tier systems where service user identification and acceptance onto the service were split into separate decision points often involving separate entities.

An example of a two-tier system is *Big Picture Learning Doncaster*. Students are identified through schools against agreed entry criteria. Eligible students are referred by the schools to the inclusion panel of Doncaster Council which then decides whether to accept the individual and make a formal referral of the student onto the service.

Outcomes monitoring, meanwhile, was sometimes executed by a lone project stakeholder. Other times, the responsibility was shared. Where it was a shared responsibility, providers commonly recorded outcomes while local councils, investors, and/or SPVs monitored them. Where investors and SPVs monitored outcomes, local councils often held final responsibility for outcomes verification as it was tied to payment.

LCF projects are governed by two timelines: i) the duration of service delivery, the period over which services are actively supporting service users and ii) the duration of outcomes payments, the period over which outcomes are paid, often extending beyond the period of service delivery to account for the accrual of longer-term outcomes. All LCF projects profiled LCF-funded outcomes payments to conclude by 2024/2025, the end of the Fund as outlined by DCMS, and at least a year earlier than the conclusion of payments from other commissioners. In addition to the discussion below, further information on anticipated outcome payments can be found in Section 2.3, and further details on LCF project timelines is in the Technical Annex.

*Gloucestershire Positive Behaviour Support* is the longest project: service delivery lasts 104 months and the entire project 108 months (9 years). In contrast, the project



with the shortest service delivery period is *Chances* (39 months), and the project with the shortest project duration is *Mental Health and Employment Social Impact Bond (Haringey & Barnet)*, with a length of 46 months.

As for the beginnings of projects, there are several cases where service provision starts before the signature of the LCF final award contract. *Fostering Better Outcomes* signed a contract 14 months after the start of service provision. *Stronger Families Norfolk* started delivering a service in February and signed a contract in November 2019.

Project endings present differences as well, which can be grouped in three types. First, where the date of end of outcomes payments coincides with the end of service delivery. *Single Homelessness Prevention Service* and *Kirklees Integrated Support Services* are examples of this first type. Second, where the timeline of payments continues after the end of service delivery. For instance, the *Cornwall Frequent Attenders Project* will receive payments for nine months after the end of service delivery. Third, where service delivery continues after the end of payments, such as *Integrated Family Support Service* or Outcome Based Contract for Children at Risk of Care.

### 1.4.3 The LCF stakeholder network

As described, the LCF is overseen by DCMS, administered by The Community Fund, and supported by learning and evaluation partners like the GO Lab, ICF, and Traverse. This group is known collectively as the LCF Delivery Partnership. And, as detailed above, LCF funded projects each include a variety of stakeholder organisations. This complex web of organisations is captured in Figure 5 (an interactive version is available here).

SIB projects are shown as blue circles. Different types of stakeholder organisation (commissioners, providers, social investors, and intermediaries) are shown as colour-coded dots. Lines represent connections between projects and their associated stakeholder organisations (some of which are associated with more than one project). The symbol size represents the number of connections made by each project or organisation.

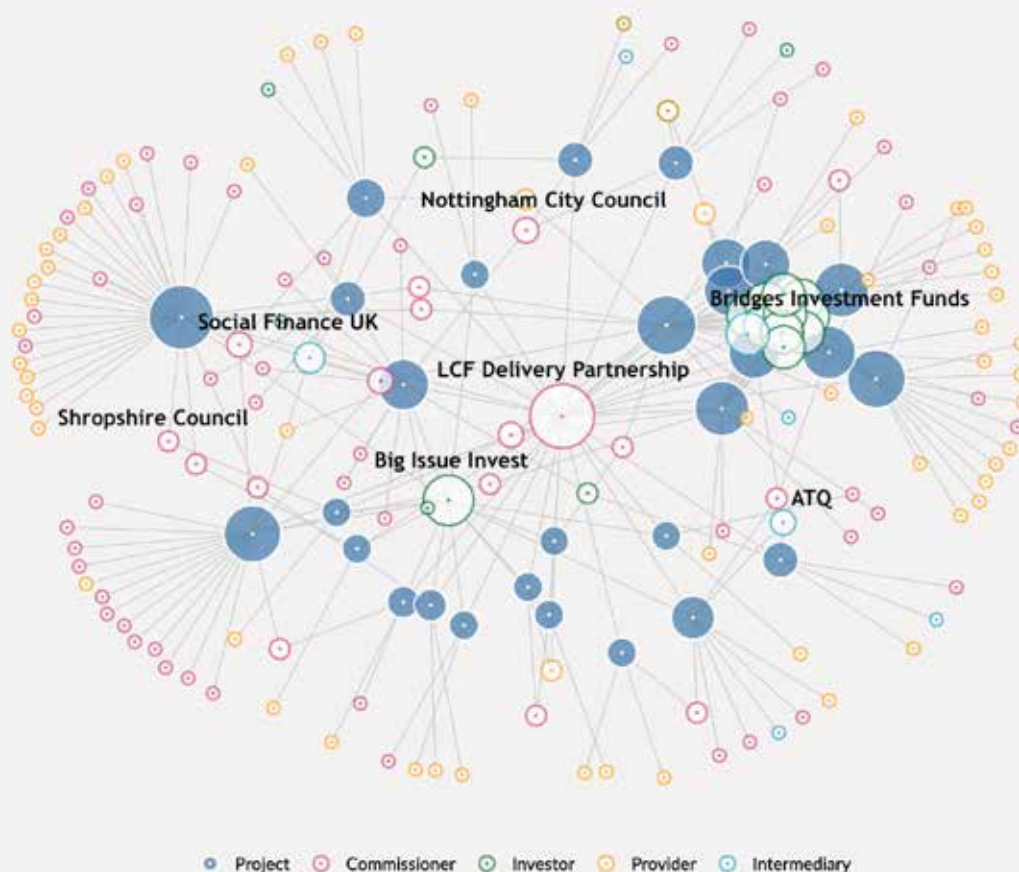
The LCF Delivery Partnership lies at the centre of the map. As it includes DCMS, an outcome funder for all LCF projects, it is connected to every project making it the biggest dot or ‘node.’ There are two other sizeable nodes: Bridges Fund Management, with 9 project connections, and Big Issue Invest, with 14 project connections. These two fund managers<sup>27\*</sup> are key actors in this network as they connect service providers and commissioners with the upfront capital to start new projects. Intermediary organisations are often involved in providing technical advice and are represented

---

<sup>27</sup> Fund managers invest on behalf of other asset owners, that could be pension funds, foundations, global institutions, or individuals that have decided to invest with an impact-driven mandate. They work more closely to the projects and provide technical assistance, but they are ultimately accountable to the asset owners. As INDIGO does not have a unique definition of the role of fund managers, Bridges Fund Management prefers to be classified as an intermediary organisation (blue node) and Big Issue Invest as an investor (green node)

in blue. Examples include Social Finance (linked to 4 projects) and ATQ (linked to 3 projects). Local commissioners such as city and county councils, represented by pink dots, have fewer linkages. In rare cases, they are connected to more than one project. For instance, Nottingham City Council has commissioned three different projects (*FutureImpact*, *DN2 Children's Services* and *The Skill Mill*) and Shropshire Council has commissioned two (*Chances* and *MHEP Shropshire*).

Figure 5 LCF Network diagram



Blue circles represent SIB projects and connections with their associated stakeholder organisations are represented by lines. Circle size reflects the number of connections. Organisations mentioned in the text are labelled in the diagram. An interactive version of the network map is available on the Government Outcomes Lab website through INDIGO.

## 1.5 SUMMARY AND RECOMMENDATIONS

The five-stage LCF application process was administratively intense. While survey respondents reported deriving some benefits from the application process - namely improved cross-organisational relationships as well as commissioning skills and knowledge - the process was also described as cumbersome.

Although the LCF received 197 expressions of interest, only 31 projects were ultimately

successful in securing funding. Rejection and voluntary withdrawal explain this drop out. While the bulk of rejections happened early (69 at the expression of interest and development grant stages), most voluntary withdrawals (40) happened later in the process (full application stage). This suggests that projects failed to mature at the expected rate and/or ran into difficulties as they began to formalise working agreements.

Importantly, the LCF application process did not take into account the local procurement procedures necessary for launching local projects. Early evidence suggests this was the source of a significant cost and frustration for applicants. Awarding the contract through market engagement and various procurement procedures was a challenge, in part due to the novelty of the investor role. Many projects utilised the flexibilities in the Public Contracts Regulations 2015 but may not have realised the extent to which they would need to do so resulting in service arrangements more likely to be subject to costly changes (see section 1.3.1.1).

The 31 LCF projects span six policy areas: child and family welfare (10 projects); employment and training (8), health and well-being (5), homelessness (4), education and early years (3), and criminal justice (1). Of the 31 LCF SIBs, 18 projects were commissioner-led, seven were intermediary-led, and six were provider-led.

Considering the full array of stakeholders within the LCF, the LCF Delivery Partnership maintains the most central position in the network as they part-fund every project. Investors and their representatives are the next most central type of stakeholder, Bridges Fund Management invest in 9 LCF projects and Big Issue Invest, 14 projects. Intermediaries like Social Finance are the third most central stakeholder group.

### **1.5.1 Lessons and recommendations**

In light of the feedback from applicants, future outcomes funds should set and clearly communicate realistic expectations and information on the SIB development process, beyond simply what is necessary for progressing through the fund. For example, having more guidance on key aspects such as financial modelling and procurement options could help local authorities navigate the process more easily, and potentially mitigate any ‘surprises.’ Considering the relatively large number of late-stage withdrawals, future outcomes funds could be more decisive earlier in the process, providing a critical friend function to help projects meaningfully assess their viability of reaching launch. Regarding the awarding of contracts, some problems related to a clash between local government standard contract terms, the DCMS contract template standard terms, and/or the terms desired by potential parties to a specific impact bond. More attention and support with local authority legal teams and/or making the contract terms more explicit earlier in the process would be beneficial for future funds. While allowing flexibility in procurement procedures can be a positive, it can also give an undue advantage to those who have more information, or relevant skills. By increasing transparency and better incorporating perspectives of local authorities, governments can smooth the development path of SIBs supported by outcomes funds.

## PART II

# LCF and Covid-19: March to October 2020

## 2.1 LCF PROJECTS AND COVID-19: BACKGROUND AND RESEARCH QUESTIONS

---

### 2.1.1. The Covid-19 Pandemic and Implications for the LCF Projects

Following the onset of Covid-19 in early 2020, governments worldwide responded by announcing a range of restrictions. A national lockdown was imposed in the United Kingdom on 23 March 2020. The operations of public services, in particular the types of personal social interventions offered by the LCF SIBs, were significantly affected. While some restrictions were eased in July 2020, services continued to face uncertainty throughout the summer and autumn of 2020 due to the rapidly changing landscape of local and national restrictions. This part of the report describes the effect of the pandemic on the LCF SIBs and draws lessons from the crisis for outcomes-based contracts in the future.

The evaluation role of the GO Lab was amended in 2020 in consultation with DCMS to include an additional study of the ways in which LCF SIBs adapted to the crisis and responded to the initiatives of central government. The research reported here covers three areas of potential adaptation: changes to funding arrangements; contractual alterations; and revised service provision. It covers adaptations made by projects between March and October 2020, the first phase of the pandemic in the UK.



The alteration of funding arrangements for LCF projects was in response to an offer by DCMS that allowed projects to choose to suspend outcomes payments temporarily. The Cabinet Office published a Procurement Policy Note (PPN 02/20) in March that urged contracting authorities to ‘act now’ to ensure ‘suppliers at risk are in a position to resume normal contract delivery once the outbreak is over’ (Cabinet Office, 2020a, p. 1). Their recommendation to authorities overseeing contracts involving payment-by-results was to issue payment ‘on the basis of previous invoices, for example the average monthly payment over the previous three months’ (Cabinet Office, 2020a, p. 1). This guidance was reinforced by PPN 04/20 published in June 2020 (Cabinet Office, 2020b). Nevertheless, a switch away from outcomes payments to grants or activity payments (terms used interchangeably in this report) was not required for either central or local commissioners.

Accordingly, in April 2020 DCMS gave the SIBs the following options for receiving LCF top-up funding. Projects could choose to continue delivering services on an outcomes basis, switch to activity payments based on projected medium case performance scenarios or pause their services altogether. These choices were initially expected to hold until 1 October 2020 and to mirror funding arrangements with local commissioners. Some projects were allowed to continue on activity payments beyond this period as documented in section ‘2021 project update’ and the Appendix.

## 2.2 METHODS II

---

### 2.2.1 Research questions

The GO Lab’s revised remit was to address the following research questions (RQs):

- RQ1: How was LCF SIB funding adapted in response to Covid-19 and how did project characteristics relate to funding decisions?
- RQ2: Were contractual terms found to be fit for purpose?
- RQ3: How did LCF SIB services adapt in response to Covid-19?

### 2.2.2 Data sources and analytic approach

As engaged evaluators of the LCF, the GO Lab analysed the following data sources to build knowledge of how LCF projects adjusted payment terms, contracts, and services considering the pandemic. General information about project characteristics was sourced (as for Part I of this report) from the DCMS Data Portal for the Life Chances Fund. This includes verified self-reported project information and items from the first wave of the primary evaluation survey covering the first 19 projects. These data sources were interpreted by GO Lab researchers using descriptive quantitative analysis and thematic qualitative coding depending upon the research question being addressed. The data and analytic approaches for each research question are discussed in turn.

### *2.2.2.1 RQ1 How was LCF SIB funding adapted in response to Covid-19 and how did project characteristics relate to funding decisions?*

Data for RQ1 regarding payment decisions and anticipated outcome payments in each financial year were also obtained from the DCMS Data Portal. While many outcome payments have been, or are expected to be, revised due to Covid-19, for the purposes of this analysis, original funding forecasts were used - that is, the maximum anticipated outcome payments signed off for each project at the time of final award of LCF funding as updated in Jan-Feb 2020 by The Community Fund funding officers in the DCMS Data Portal. This allows us to relate the funding decisions in March 2020 to the funding information available to projects at that date.

Projects' funding choices in response to the DCMS offer were analysed based on specific project characteristics. To decide which project characteristics of LCF projects to use in analysis, the GO Lab consulted academic literature on resilience in public services. This created informed expectations of what might drive funding decisions and service adaptations and established the scope of inquiry.

Reflecting the literature, the project characteristics explored here relate to organisational resilience, namely governance structures, resource availability and human factors.<sup>28</sup> **Governance** factors included the type of organizational stakeholder defined as the "project lead"; whether the structure included a Special Purpose Vehicle (SPV); and how many organizational stakeholders were involved. **Resources** (based on pre-pandemic expectations) were defined as follows: the scale of the project (total outcomes funding committed); the proportion of funding expected from LCF versus local commissioners; and the degree to which outcome payments were "front-loaded" that is, the percentage of outcome funding expected to be received by March 2021 (which was also related to the date that service commenced). **Human** factors included aspects such as leadership, culture and human capital which were evaluated qualitatively based on the evidence available in the DCMS Data Portal, through The Community Fund monitoring information, and Covid-19 project plans and risk registers.

### *2.2.2.2 RQ2 Were contractual terms found to be fit for purpose?*

Data for RQ2 regarding contractual adaptations was obtained from observational data from a series of publicly documented online peer-learning group sessions on impact bonds and the pandemic (GO Lab's Emergency Responses and Government Outcomes (ERGO) and Procurement of Government Outcomes (POGO) groups), as well as LCF-specific information from The Community Fund.<sup>29</sup>

For RQ2, the GO Lab explored the extent to which contractual changes were adopted in response to the Covid-19 crisis. To respond to this question, the team used publicly

---

<sup>28</sup> See, for example, Barasa et al., (2018) What Is Resilience and How Can It Be Nurtured? A Systematic Review of Empirical Literature on Organizational Resilience. *International Journal of Health Policy and Management*, 7(6): 491-503. <https://doi.org/10.15171/ijhpm.2018.06>.

<sup>29</sup> Information about GO Lab peer learning groups can be found here: <https://golab.bsg.ox.ac.uk/community/peer-learning-groups/about/>



available observational and documentary data from ERGO and POGO, summarising main points from presentations, discussions, and written output which responded to this research question. These peer learning groups combine panel presentations with open discussion on various themes, and participants are recruited on an open invite basis through GO Lab social media and word-of-mouth. ERGO offered individuals working on outcomes-based contracts a space to learn and discuss responses to the pandemic. The ERGO peer learning group met seven times from April - June 2020 with attendance ranging from approximately 15-100 people.<sup>30</sup> POGO was established in September 2019. Sessions follow the same format as ERGO, and the group meets monthly, usually with about 30 people - largely lawyers in the SIB space and procurement experts - in attendance.<sup>31</sup>

### 2.2.2.3 RQ3 *How did LCF SIB services adapt in response to Covid-19?*

Data for RQ3 regarding service adaptations was obtained by thematic coding of the following data sources:

- Monitoring data gathered by The Community Fund from regular phone calls
- Covid-19 project plans
- Covid-19 risk registers and supporting documents
- Project update report from an LCF investment organisation on service adaptations

The service adaptations made by projects in response to the health emergency and lockdown restrictions were described and analysed. Funding officers at The Community Fund asked projects for plans over the summer of 2020 that described their service adaptations and any challenges that they faced or anticipated. Researchers inductively coded these project plans thematically, focusing analysis on the scope, type, and rationale for service adaptations as described by projects to The Community Fund.

### 2.2.3 Limitations

As in part I, secondary data supports the analysis included in part II of this report. This means that same limitations apply (see section 1.1 Methods I): i) the insights offered are general in nature and may not be suitable for driving decision-making; ii) the quality of the analysis is reliant on the quality of the data; and iii) ongoing changes to the LCF and its projects may mean that data reported here are current as of December 2020 but may be outdated thereafter.

Notably, some of the financial information is reported more than once in the DCMS Data Portal, collected at different times for different purposes. As far as possible, this report draws on consistent sources as described above. In instances where data is not available, the closest alternative sources have been obtained from the data portal (e.g., from project set-up forms, see the Appendix and Technical Annex for further

---

<sup>30</sup> Recordings of ERGO sessions can be found here: <https://golab.bsg.ox.ac.uk/community/peer-learning-groups/ergo-peer-learning-group/previous-ergo-sessions/>

<sup>31</sup> Recordings of POGO sessions can be found here: <https://golab.bsg.ox.ac.uk/community/peer-learning-groups/pogo/>

details). The analysis that follows is therefore an interpretation by GO Lab researchers of the best available data and may differ from interpretations of other stakeholders.<sup>32</sup>

The findings in sections 2.3.1.1-3 allow us to identify certain common patterns and characteristics within each group of projects. While it is helpful to identify these patterns, the small number of projects and high intra-group variation must be kept in mind, as should the influence of similar projects within each group. We also cannot say that the characteristics “caused” the observed decisions. Given the reliance on observational data from groups not specific to the LCF for RQ2, the material in section 2.4.2 should be interpreted as commentary rather than research-driven findings but still represents the best available information on project operations at the time of collection. Neither group was set up specifically in relation to the Life Chances Fund, nor were participants necessarily focusing on it in their interactions with the groups. Group members, however, had good awareness of LCF through their professional networks and in some instances, their involvement in LCF projects. Group participants consented to insights provided being publicly available through recordings and summary documents, and therefore, adopted for the purposes of research.

Further, this study includes a small population of projects rather than a random or purposive sample. This means that for quantitative analysis, we are limited to descriptive statistics as statistical tests and regression-based analysis require larger case numbers. For qualitative analysis, this means we cannot claim that the findings which pertain to LCF projects represent the wider population of SIBs.

---

<sup>32</sup> Publicly available data about each LCF SIB project is archived on the INDIGO Impact Bond Dataset: <https://golab.bsg.ox.ac.uk/knowledge-bank/indigo/impact-bond-dataset-v2/>



## 2.3 FINDINGS: HOW THE LCF PROJECTS RESPONDED DURING THE COVID-19 PANDEMIC

---

### 2.3.1. RQ1: How was LCF SIB funding adapted in response to Covid-19 and how did project characteristics relate to funding decisions?

Following DCMS's offer to temporarily alter the funding mechanism, the 31 signed-off SIBs made their decisions by May 2020.

- Eight projects opted to stay on outcome contracts and two launched on that basis as previously planned.
- The other 21 SIBs (over-two thirds of the total) switched to grant payment, paused their services, or delayed (or were not yet ready for) launch.
  - Ten already-launched projects switched to grant payments and four launched on a grant basis.
  - One project paused its existing services and a further six delayed their launch (of which one subsequently dropped out of the LCF process).

Table 2 and the following analysis separates the projects based on their funding decisions, namely, to continue on outcomes payments, opt for a grant-based payment, or pause as defined above. In the analysis we explore how the variables listed above relate to the projects' decisions.

#### *Section structure*

Table 2 summarises the information by funding group, and detailed information about each project is shown in the technical annex.

Sections 2.3.1.1-3 describe patterns observed by the research team in the documentary data and management information (see sections 2.2.2 and 2.2.3 for further detail).

Section 2.3.1.4 offers sense-making and interpretations from the research team of the findings described in the preceding sections.

Table 2 Descriptive analysis of payment choices and project characteristics<sup>33</sup>

	Number of projects [% of total]	Timing of launch relative to UK lockdown on 23 March 2020	Delivery duration before first lockdown (launched projects only) Mean [min, max]	Policy area (ordered most to least dominant)	Governance structures
Outcomes contracts	10 [32%]	Before first lockdown: 8 After first lockdown: 2	9.5 months [1.5, 21]	Child & family welfare: 7 Homelessness: 3	Special Purpose Vehicle (SPV): 7 Direct contract between outcome payers and providers: 3
Medium scenario grant payments	14 [45%]	Before first lockdown: 10 After first lockdown: 4	13.3 months [6.5, 23.5]	Employment & training: 8 Health & wellbeing: 2 Education & early years: 2 Child & family welfare: 1 Homelessness: 1	SPV: 8 Direct contract between outcome payers and providers: 6
Pause service or delay launch	7 [23%]	Before first lockdown: 1 After first lockdown: 6 <sup>35*</sup>	14.5 months [14.5, 14.5]	Health & wellbeing: 3 Child & family welfare: 2 Education & early years: 1 Criminal justice: 1	SPV: 4 Direct contract between outcome payers and providers: 3

33 Financial data in this table are pre-pandemic figures as updated in the DCMS Data Portal in early Spring 2020. Policy areas are as defined in the GO Lab INDIGO Data Dictionary. LCF projects have been matched to these categories by GO Lab researchers based on an interpretation of project objectives and outcome metrics.

34 The degree to which outcome payments were “front-loaded” is the percentage of outcome funding expected to be received by March 2021. This is also related to the date that service commenced. For the full discussion see section 2.3.1.4.

35 Includes one project still pending launch in January 2021 and one that withdrew in late 2020.

	Project lead (main applicant and The Community Fund contact)	Number of formally contracted stakeholder organisation Mean [min, max]	Percentage of LCF funding anticipated relative to other sources Mean [min, max]	Project size: max possible outcomes funding from LCF and local commissioners (£ million) Mean [min, max]	“Front-loading” <sup>34</sup> of outcome payments: percentage expected by end of FY 2020/21 Mean [min, max]
	Commissioner: 8 Intermediary: 2	6 [4, 12]	27% [11%, 45%]	6.2 [1.3, 14.4]	17% [1%, 48%]
	Commissioner: 5 Intermediary: 5 Provider: 4	6 [4, 13]	37% [26 %, 45%]	4.2 [0.6 - 22.3]	28% [8%, 50%]
	Commissioner: 5 Provider: 2	11 [4, 32]	28% [19%, 43 %]	6.7 [1.8 - 14.5]	9% [0%, 50%]

### 2.3.1.1. *Characteristics of projects staying on outcomes*

#### Timing of service delivery launch

Of the 31 signed-off LCF projects, ten opted to stay on outcomes contracts. The eight projects that had launched by 23 March 2020 had been in delivery for an average of 9.5 months, ranging from 1.5 months (*Midlands Regional Pause Hub*) to 21 months (*Fostering Better Outcomes*). Of the two projects whose launches were scheduled for after the lockdown, *Pyramid Project* launched in April 2020 while *Norfolk SIB for Carers* launched in September 2020.

#### Policy area

Seven of the ten projects that opted to stay on outcomes were based within the policy area of child and family welfare - representing most of the LCF projects in this policy area. The other three projects were focussed on homelessness.

#### Governance

In terms of governance structures, seven of the ten projects that opted to stay on outcomes included contracts between the local commissioner and a special purpose vehicle (SPV). The other three involved direct contracts between outcome payers and service providers. Eight of the projects were led by commissioners and two by intermediaries. Formally contracted stakeholder organisations ranged from four to twelve (with an average of six).

#### Resources

Compared to projects opting for activity payments or pausing, projects opting to stay on outcomes had the lowest average proportion of anticipated LCF funding (27%) relative to other sources though with the widest range (11 to 45%). Average project size for this group was £6.2m, ranging from £1.3m to £14.4m (project size being defined as the maximum possible outcomes funding from LCF and local commissioners combined). Based on pre-covid expectations, on average 17% of outcomes payments were expected by March 2021 (range 1% - 48%) showing that this group was less “front-loaded” than the group opting for grants but more so than the paused group.

#### Summary

Overall, this group tended to include projects which were led by commissioners, were launched before lockdown, and used SPVs. They also had a large proportion of child and family welfare projects.

### 2.3.1.2 Projects switching to medium scenario grant payments

#### Timing of service delivery launch

The largest group of LCF projects (fourteen, 45% of signed-off projects) chose to switch to activity payments (grants) based on medium case scenarios. Though ten of these had launched before the first lockdown, this group also included four projects that launched after 23 March 2020 (these were four of the five ***Mental Health and Employment Partnership*** (MHEP) projects, focused on supporting individuals with severe mental illness into competitive employment). The ten projects which had already launched had been in delivery for an average of 13.3 months by 23 March 2020, ranging from 6.5 months for ***West London Zone*** to 23.5 months for the ***Integrated Family Support Service*** - one of the longest running LCF projects.

#### Policy areas

Eight projects in this group were in the employment and training policy area (including all five previously mentioned MHEP projects). Other policy areas included child and family welfare, health and wellbeing, education and early years, and homelessness.

#### Governance

In terms of governance, eight projects used contracts between outcome payers and SPVs while six used direct contracts between outcome payers and service providers. This group of projects was the only one to include a mix of all three types of project leads- commissioner (five projects), intermediary (five projects), and service provider (four projects). Four to thirteen stakeholder organisations were involved (with an average of six), similar to the group that stayed on outcomes contracts.

#### Resources

This group had the highest average proportion of LCF funding among the three groups (37%, range 26% to 45%), alongside the smallest average size of projects (£4.2m, range £0.6m to £22.3m). Eight of these projects (including all five MHEP projects) had been awarded LCF funding equalling more than 40% of total outcome payments. Per original forecasts, 28% of the total LCF funding for this group was expected by the end of March 2021, making this group the most 'front-loaded' in terms of its anticipated LCF outcome payments.

#### Summary

Given the far-reaching effect of Covid-19 on the labour market, the research team believe many of these projects are likely to have anticipated significant risks to placing service users in employment, making grant payments the safer option. The research team reflected that it is possible that a relatively higher reliance on LCF for outcome payments, combined with an employment focus for many projects might have influenced this group to switch to grant payments, but confirming this is beyond the scope of this report.

### 2.3.1.3 Projects choosing to pause

#### Timing of service delivery launch

Seven projects chose to pause services or delay launch (23% of all signed off projects). Only one of these projects (**Big Picture Learning Doncaster**) had launched before the first lockdown and at that time had been in delivery for 14.5 months. This project had already been facing some difficulties in delivery, and the closing of educational institutions due to Covid-19 posed further challenges. Whereas four more projects from this group were able to launch between August and October 2020, one project remains paused while the other withdrew from the LCF in late 2020. Thus, this group features the highest proportion of projects launched after lockdown or still pending launch at the start of 2021.

#### Policy areas

Compared to the other two groups, this group displayed a more even mix in policy areas. Three of the projects fell under health and wellbeing, and two under child and family welfare. There was one project in education and early years and one in criminal justice.

#### Governance

Four out of seven projects included outcome payer contracts with SPVs. The other three projects used direct contracts between outcome payers and service providers. Five projects were commissioner-led and two were led by providers. There was very high variance in the number of formally contracted stakeholder organisations, which ranged from four to 32. This set of projects included two of the projects with the highest number of stakeholders: Chances (32 stakeholder organisations) and Skill Mill (13 stakeholder organisations). This drives up the average for the group to 11 stakeholder organisations - the highest among the three groups.

#### Resources

The proportion of LCF funding was also highly varied, ranging from 19% (Gloucestershire Positive Behaviour Support) to 43% (the Skill Mill) although average proportion of LCF funding within this group (28%) was very similar to that for the outcomes group (27%). In terms of average size of projects (£6.7m), this group was also very similar to the outcomes group. Projects range in size from £1.8m to £14.5m. Compared to the other groups, this group was the least “front-loaded”, only anticipating an average of 9% of funding by March 2021 (range 0 to 42%) which reflected their generally later planned launch dates.

#### Summary

With one exception, projects in the “paused” group had planned to launch after 23 March 2020 and postponed their planned launch. The project which suspended services, **Big Picture Learning Doncaster**, had already been facing some difficulties in delivery. It was particularly hit by the closure of schools, which were an integral part of its service delivery. The paused group included the projects with the highest average number of stakeholder organisations. The projects varied in terms of proportion of LCF funding and overall size but were generally larger than projects opting for grants. Policy areas in this group varied, but several were associated with health.

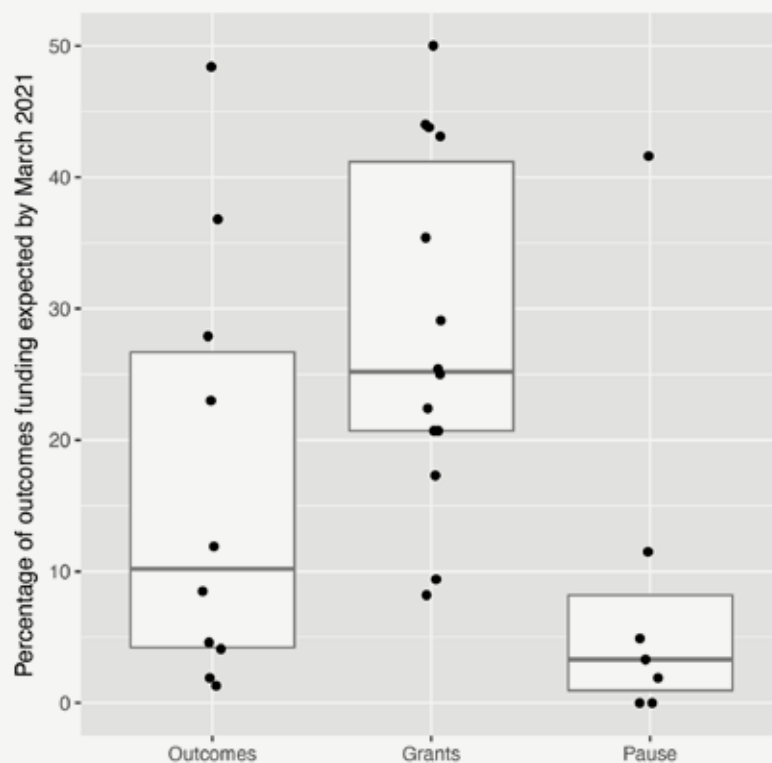
#### *2.3.1.4 Summary of factors associated with funding decisions*

While there was a mix of policy areas across the three groups, projects within the outcomes group were predominantly related to child and family welfare. Many of these projects were focussed on children's social care, a statutory duty for local authorities, which might have influenced the decision and ability to continue on outcomes contracts. Other projects were linked to homelessness. Meanwhile, those switching to medium scenario grants mostly focused on employment. Given the far-reaching effect of Covid-19 on the labour market, the research team believe these projects are likely to have anticipated significant risks to placing service users in employment and achieving outcomes. Projects choosing to delay their launches were often associated with health. The project which paused service delivery was concerned with education and early years and was particularly affected by the closure of schools. However, as noted below, that project resumed service delivery when schools reopened in the autumn of 2020.

In terms of governance, projects staying on outcomes tended to include projects that were led by commissioners. The grants group was more varied, projects being led by commissioners, providers, and intermediaries, while the paused group had projects led by commissioners and providers. Project leads are important as they not only served as the lead applicants for the LCF application process, but were also expected by the LCF to coordinate project stakeholders to drive forward SIB development and implementation. Each funding group contained more projects with SPVs than direct contracts, but the outcomes group had the greatest proportion of SPVs. Stakeholder numbers were similar between the outcomes and grants groups, and on average higher in the paused group.

Turning to funding and resources, the grants group included projects with some of the highest proportions of LCF funding, as well as the lowest average size of projects. The outcomes and paused groups had similar overall sizes and proportions of LCF funding. The relative front-loading of the three groups is illustrated in the boxplot in Figure 6 below. This plot shows that most projects in the "paused" group were expecting much lower proportions of outcomes funding by March 2021 than those in the other groups (based on projections made pre-pandemic), which reflected their shorter service delivery duration by that date. The outlier in the paused group is the project that had already started service delivery prior to lockdown.

Figure 6 Outcome payment front-loading amongst three funding groups



Source: GO Lab researchers' interpretation of data within the DCMS Data Portal

Front-loading is defined as the percentage of total outcomes funding expected by the end of March 2021 (pre-pandemic expectations). The upper and lower limits of the boxes indicate the upper and lower quartiles respectively, and the median is indicated by a bar. Data from individual projects are shown as black points, with a small amount of horizontal scatter applied to reduce overlap. Source: GO Lab analysis of DCMS funding data.

Individual project payment profiles are shown in Figures 7-9 below. These graphs show the amount of LCF funding expected by projects if all outcomes were achieved, based on the original funding forecasts. They therefore reflect the information available to projects in early 2020, shortly before the pandemic. LCF outcome payments were expected to rise over 2018 and 2019 as projects continued to launch, and to peak over the 2020-2023 period. Payments from LCF are due to end in 2024-2025, on average two years earlier than payments from other outcome payers. Due to later launch dates, paused projects were expected to peak slightly later than others, while projects in the grants group tended to have earlier expected payments. There is considerable variation within and across groups, but typically projects in the medium scenario grant group anticipated higher proportions of outcome payments from the LCF than other groups. While this higher dependence on LCF funding and greater 'front-loading' might



explain the higher inclination to switch to medium scenario grants in order to mitigate financial risk, other projects with similar expectations chose to pause or to continue on outcomes instead. Overall, therefore, there was little association found between the expected timing of outcome payments on the payment mechanism decisions made in March 2020.

#### *2.3.1.5 Outcome funding post-October 2020*

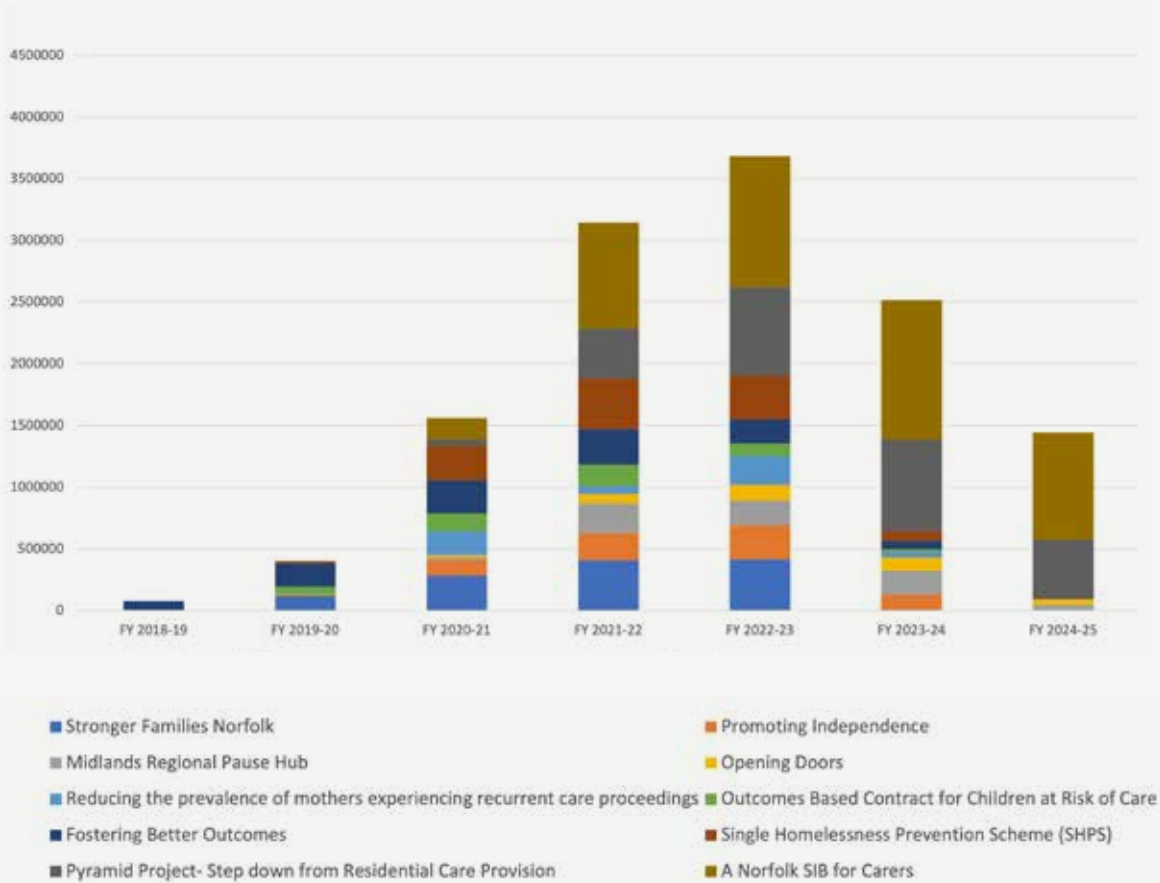
The payment mechanism choices represented above were only expected to hold until 1 October 2020. All projects were expected to return to outcomes contracts at this date. While 24 projects were able to resume on outcomes as planned, five projects were granted extensions to remain on medium scenario grants until 1 January 2021. The project that suspended its services (***Big Picture Learning Doncaster***) resumed services in autumn 2020 on an outcomes contract.

When the analysis for this report was compiled in December 2020, only two projects remained paused or had not yet launched (***Social Prescribing across Northamptonshire*** and ***Adults with Complex Needs***). The latter withdrew from the LCF in late 2020. One project (Cornwall Frequent Attenders) received grant payments between April and October, reverted to outcomes, but then back to grant payments in January 2021.

By January 2021, all but two of the remaining projects had switched back to outcome contracts. ***Social Prescribing across Northamptonshire*** has yet to begin service delivery, while ***ParentChild+*** was allowed to stay on medium scenario grants until end of March 2021. Meanwhile, temporary changes to outcome payment metrics were agreed for the five MHEP projects, each on outcome contracts.

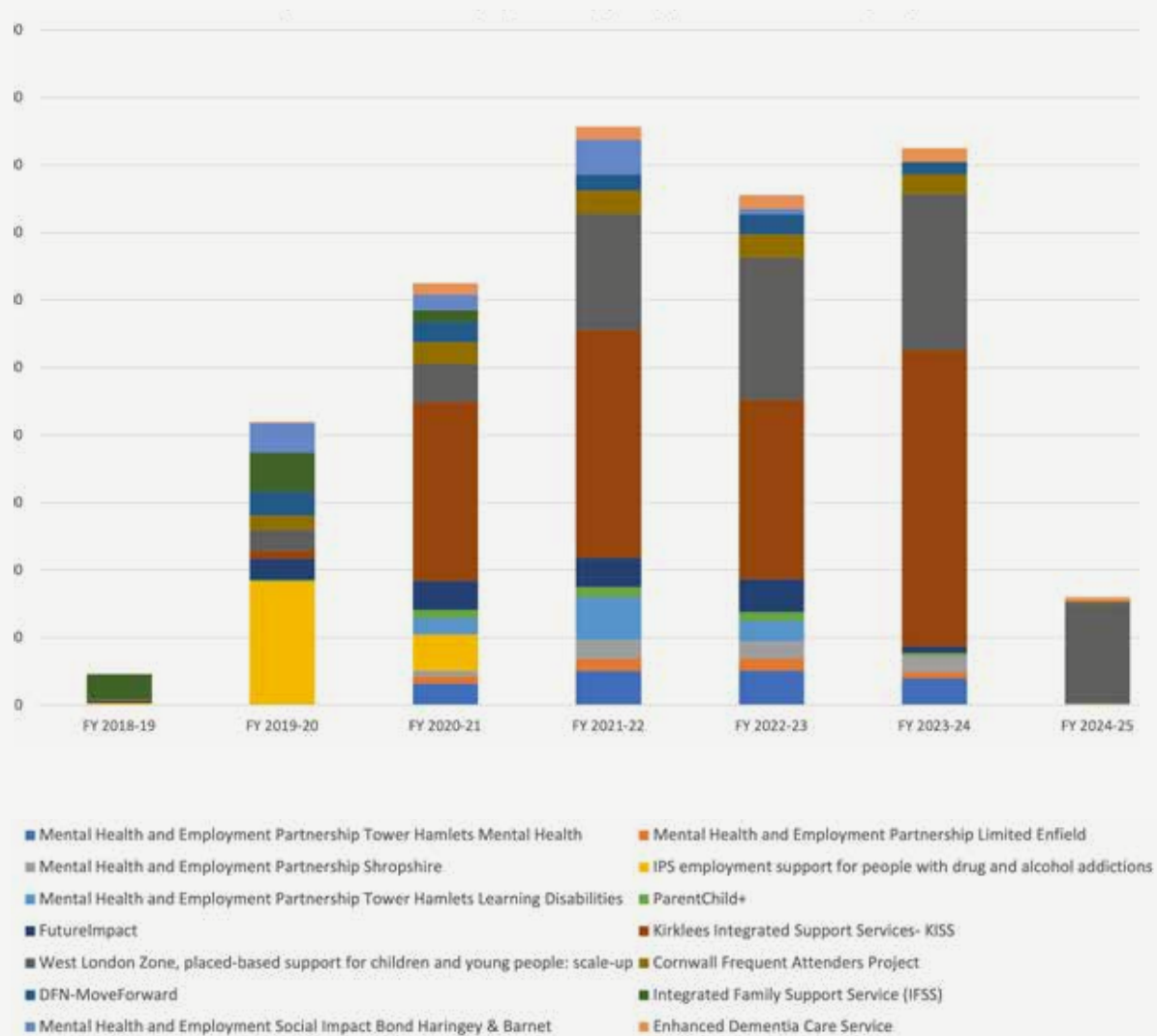
In parallel, ten projects were awarded additional funding through the LCF Further Allocations process. Based on applications for project changes such as incorporating new local commissioners, delivery areas and service users, the process was intended to allow launched projects to scale up. This process coincided with the onset of Covid-19 and the changes requested are likely to have been influenced by the pandemic.

Figure 7 Anticipated LCF outcome payments by year (£) for projects staying on outcomes contracts



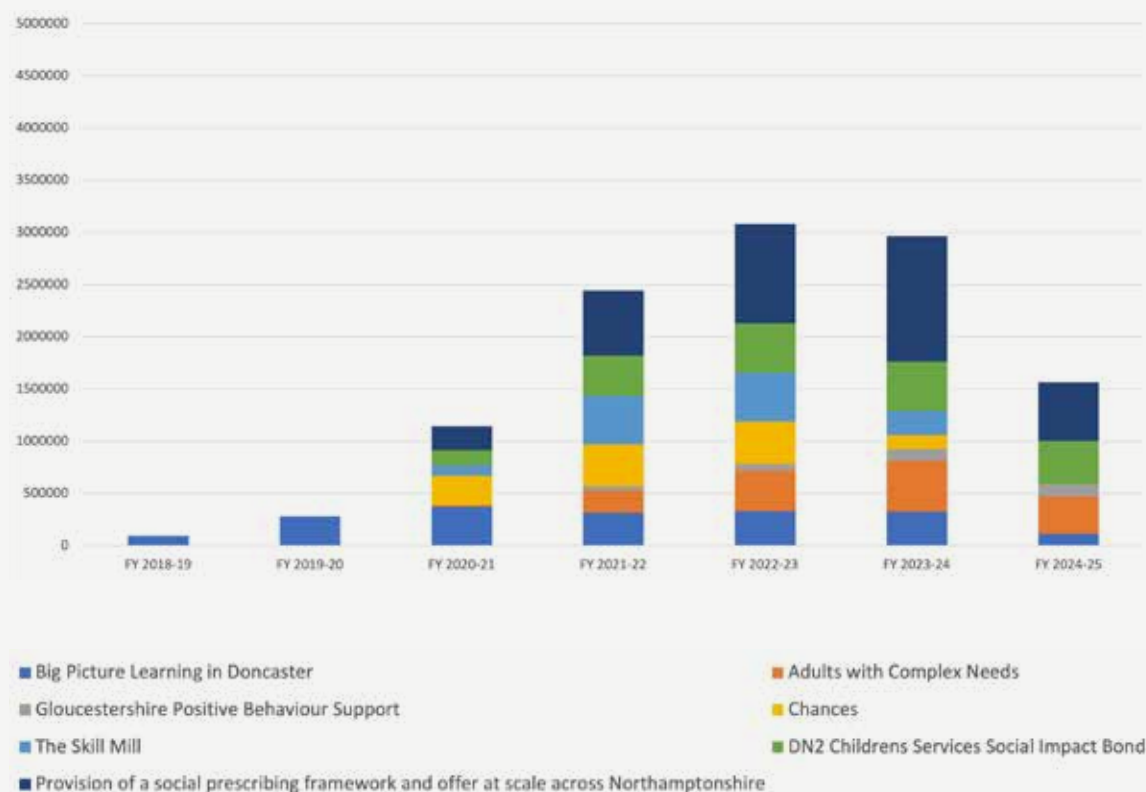
Source: GO Lab researchers’ interpretation of original Grant Payments Profile data within the DCMS Data Portal

**Figure 8 Anticipated LCF outcomes payments by year (£) for projects switching to medium scenario grants**



Source: GO Lab researchers' interpretation of original Grant Payments Profile data within the DCMS Data Portal.

**Figure 9 Anticipated LCF outcome payments by year (£) for projects choosing to pause**



Source: GO Lab researchers' interpretation of original Grant Payments Profile data within the DCMS Data Portal.

### 2.3.2. RQ2: Were contractual terms found to be fit for purpose?

Qualitative evidence for this question was gathered from online practitioner workshops and discussions as described in 2.2 Methods II. These discussions were attended by procurement lawyers and practitioners. Some participants were not involved with the LCF and so were discussing SIBs more generally. This evidence is therefore not specific to individual projects or to the LCF itself. A common theme that emerged from these discussions was the observation that SIB contract clauses that dealt with emergencies were generally unhelpful during the pandemic. Legal and procurement professionals described standard procedural clauses often found in public contracts, namely force majeure clauses, as blunt instruments designed for early termination. In the Covid-19 crisis, most SIB stakeholders were not looking to terminate the contract but instead wanted to make service, outcomes, and governance changes to ensure continued support for service users. Legal and procurement practitioners described coming together to design pragmatic solutions that leveraged relationships rather than formal contractual procedures.

For the LCF projects specifically, the temporary changes to funding mechanisms described above (RQ1) did not require formal contractual changes. And outcomes contracts in general allow the types of service flexibility described below (RQ3). Being judged solely on outcomes, SIBs can usually adapt their services and interventions to meet operational requirements (an exception to this is when a licensed intervention is specified, and any changes require the agreement of the licensor). This flexibility can give SIB managers more autonomy than managers of comparable ‘fee-for-service’ contracts, who may need to renegotiate proposed service adaptations. The same contractual flexibility allows managers to divert resources as required.

Although outcomes contracts generally imply built-in flexibility regarding service provision, the outcomes themselves are usually contractually specified. This resulted in challenges to projects whose outcomes became far more difficult to achieve during the pandemic when, for example, employment and educational opportunities disappeared. This may have been a factor for the projects choosing to switch to grants at the start of the UK lockdown. As the UK emerges from the pandemic, the social services landscape may experience long-term changes. Projects may therefore seek to renegotiate outcome targets to reflect the new circumstances.

### 2.3.3. RQ3: How did LCF SIB services adapt in response to Covid-19?

This section presents findings on service adaptations from March to October 2020 made by LCF SIBs. The sources are described in 2.2 Methods II. Information was obtained from 23 of the 29 launched projects, as detailed in the Technical Annex, though the level of detail varied between projects. Projects in the ‘paused’ group were not included. Projects were asked to outline planned and/or implemented adaptations and to describe the challenges that they were experiencing or expecting.

The practical challenges faced by the LCF projects can hardly be overstated. Intensive interventions that were formerly offered face-to-face had to be adapted to virtual formats, alongside monitoring outcomes remotely. Projects grappled with uncertainty over referral numbers during a time in which it was impossible to tell when and if in-person delivery would resume, and how demand for their services might change.

Projects suspended almost all face-to-face activities in March, switching to largely virtual delivery models. Some projects opted for a mix of virtual and socially distanced delivery. Only one project, **Big Picture Doncaster**, suspended ongoing delivery because of the pandemic, for reasons mentioned above. The rest have continued throughout, though in some cases with reduced services.

One issue that projects were concerned about was volatility and/or uncertainty in referral numbers, on which outcome payments (ultimately) depend. Projects mentioned both reduced access to referrals (as schools and other referring agencies were closed or inaccessible) and a potential surge in referrals owing to increased need and demand. Staff capacity and illness was a concern. Further concerns included service user disengagement and that reduced contact and virtual delivery would be less effective in achieving outcomes. Projects targeting education and employment outcomes struggled

with the temporary lockdown of education institutions and severe reductions in the availability of jobs and traineeships. Projects for homeless people reported difficulties procuring accommodation as landlords became more risk-averse during the crisis, and children's services reported difficulty recruiting foster carers.

Adaptations to service delivery were twofold: changing the delivery of core interventions from face-to-face to virtual delivery and adding crisis support interventions (see Table 3.2).

### 2.3.3.1 Core service delivery adaptations

Projects adapted their core service interventions in varied and creative ways. Virtual delivery was conducted in the form of remote counselling sessions and family conferences, online tutoring, and training sessions. Common tools for virtual engagement were phone calls, video conference tools, social media, and email.

This section illustrates the range of adaptations made by projects (further details can be found in the Technical Annex). For example, **DFN Move Forward**, a project which aims to bring young people into employment, delivered 'Ready for work' sessions through phone or video calling, conducted online mock interviews and organised virtual placements to enhance participants' readiness for work. **ParentChild+** delivered play-packs to families' homes to enable virtual play sessions with a therapist.

A key concern amongst projects was their ability to sustain user engagement. In response, services increased their frequency of contact with users and introduced online peer support sessions and virtual social activities. Element, a provider involved in the **West London Zone SIB**, set up a daily creative challenge for the children they support. Pause, the provider in the '**Reducing the prevalence of mothers experiencing recurrent care proceedings**' facilitated virtual bingo and yoga sessions for participants. **Chances** introduced a virtual befriending service for young people to facilitate interaction between participants. Further tools to sustain engagement included digital support materials such as webinars and newsletters.

Staff members also maintained some face-to-face contacts particularly where safeguarding was a concern. Socially distanced meetings with children and families could occur outdoors or in sufficiently large indoor spaces. Staff developed creative ways to ensure that socially distanced service delivery was responsive to individual needs. For example, frontline staff of the above-mentioned provider **Pause** conducted phone counselling sessions in front of women's houses, often from their cars. Being able to see each other through the window helped to maintain a sense of personal connection and allowed staff to check that the women they support were safe.

**Integrated Family Support Service** reported that they were maintaining only basic services, aiming to return to previous intensive levels of service when conditions allowed.

### 2.3.3.2 Added crisis support services

With the onset of Covid-19, projects responded to additional service user needs with expanded service offers. This included supporting users' mental health, ensuring supply of basic goods such as food and medicine, supporting users in the access and use of digital communication tools, offering welfare advice, and providing general guidance around Covid-19.

To have a better appreciation of the needs of service users in the crisis, two projects - **Opening Doors** and **Pan London Single Homelessness Prevention Scheme** - developed user questionnaires to explore additional and changing client needs. To be able to respond to immediate user needs, Kirklees Integrated Support Services and Enhanced Dementia Care offered specific crisis intervention support outside of regular service hours. **Kirklees Integrated Support Services** set up a Covid-19 help centre which offered advice on the pandemic, domestic abuse, housing, and benefits.

Concerned for the mental wellbeing of clients, projects added support activities including setting up mental wellness plans with service users, doing regular phone catchups, and creating an online work-for-wellness programme.

Projects also helped to meet clients' basic material needs, organising deliveries of food, household essentials and medical prescriptions. **West London Zone** linked up with schools to help families apply for school-meal vouchers, **Kirklees Integrated Support Services** referred service users to food banks and **Pause** sent food parcels.

Service providers in SIBs targeting homeless people provided financial support to enable access to phone and internet, including purchasing IT equipment and smart phones, as well as helping clients to gain basic digital skills. Both **West London Zone** and **ParentChild+** distributed free IT devices to ensure that children and their families could participate in the programme remotely. To fund these additional services, **West London Zone** launched a charitable appeal called #bridgingthegap which raised £35,000 to provide extra support to families in need, including food and household essentials, IT, and resources for home learning.

Beyond setting up added crisis support service streams, projects also invested in upskilling and supporting staff. **Pause** staff members received training to better respond to domestic abuse situations. **West London Zone** link workers received training from clinical psychologists to better enable them to respond to heightened mental and emotional issues experienced by children and families because of Covid-19. Staff of the **Enhanced Dementia Care Service** received information about Covid-19 regarding their personal health and wellbeing. Meetings and case conferences moved online, and communication with other local agencies was maintained, for example by the **Enhanced Dementia Care Service**, **Kirklees Integrated Support Services** and the **MHEP** projects.

Some benefits flowed from these adaptations. Virtual family conferences allowed more family members (such as a parent living or working elsewhere) to attend. The reduction



in time spent traveling meant that caseworkers could offer more support by phone or video call, with *Stronger Families Norfolk* reporting that contacts and sessions increased by over 10 per cent for this reason.

However, project leads also reported feeling stressed and overwhelmed. Online engagement could be tiring and frustrating for caseworkers and there were concerns that virtual services were less effective. One project reported that its young clients were exhibiting high levels of anxiety and reverting to previous patterns of behaviour. Relationships between service providers and other agencies were sometimes difficult to establish or maintain, and shortages of foster carers and of landlords willing to offer long-term accommodation to vulnerable clients were reported.

**Table 3 Service Adaptations in Response to Covid-19**

Core Service Delivery		
Service Adaptation	Adaptation Description	Tool
Virtual Engagement	Digital support materials Newsletters; online trainings, webinars, and tutoring; promotion of online resources; creation of virtual education resources Establishment of peer support online sessions Counselling (1:1 and group) Virtual social and professional activities	Online video conference tools Regular phone calls Email Social media Contactless delivery of engagement material Virtual lending library
Socially Distanced Service Delivery	Service delivery in outdoor spaces or indoors with sufficient physical distance	

Added Crisis Services		
Service Adaptation	Adaptation Description	Tool
Mental wellbeing support	Individualised wellness plans for users Online work for wellness programme Online mental wellbeing workshop Regular virtual check-ins	Phone and video calls
Ensuring Supply of Basic Needs	Food Medication Household essentials	Food parcels Food banks Vouchers Basic medical advice via phone Delivery of prescription medication
Support accessing and using digital communication tools	Supply with mobile phones and IT Equipment Financial support to access phone and internet Support in developing basic digital skills	Hardware funding
Welfare Advice	Housing and benefit advice	Phone and social media
Guidance with Covid-19	Personal advice; Education resources	Phone and social media

Source: GO Lab's interpretation of project plans and The Community Fund information.

## 2.4 SUMMARY AND RECOMMENDATIONS

---

We end this section with a summary of our findings on the three research questions.

### 2.4.1. RQ1: How was LCF SIB funding adapted in response to Covid-19 and how did project characteristics relate to funding decisions?

DCMS's offer of temporary activity- or grant-based payments in summer 2020 proved effective in maintaining services. 14 projects switched to medium scenario grants, while 10 continued with outcomes payments and seven chose to pause. Projects staying on outcomes tended to include projects which were led by commissioners, were launched before lockdown, and used investor controlled SPVs. The medium scenario group included projects with some of the highest proportions of LCF funding and average duration of pre-pandemic service delivery across the portfolio. For the most part, paused projects were launched after 23 March 2020, and included some of the projects with the highest number of stakeholder organisations across the 31 projects.

Projects within the medium scenario group typically anticipated a far higher percentage of outcome payments from the LCF than other groups - both in the immediate aftermath of Covid-19 and across their full lifetimes. They were the most 'frontloaded' of the three groups, with 28% of total outcome payments due in the first three financial years (2018/19 - 2020/21). While this higher dependence on LCF funding might suggest a higher inclination to switch to medium scenario grants, some other projects with similar expectations chose to pause or continue on outcomes payments instead. While there was a mix of policy areas across the three groups, projects within the outcomes group were predominantly related to child and family welfare. Meanwhile, those switching to medium scenario grants mostly focused on employment, and those choosing to pause were often associated with health. Intuitively this makes sense: both the labour market and healthcare providers were significantly impacted by the pandemic in ways that would curtail the achievement of social outcomes.

### 2.4.2. RQ2: Were contractual terms found to be fit for purpose?

For this question, we detected a mixed pattern. Contractual clauses covering emergencies were generally found to be unhelpful, allowing contract termination while stakeholders were anxious to continue services. Nevertheless, the inbuilt flexibility of outcomes contracts allowed services to be adapted without contract renegotiation. In contrast, contractually specified outcomes such as employment placements are inflexible and may need to be renegotiated in the future.

### 2.4.3. RQ3: How did LCF SIB services adapt in response to Covid-19?

Here, a generally positive picture emerges. Adaptations to service delivery involved changing the delivery of core interventions from face-to-face to virtual delivery and adding crisis support interventions. Virtual delivery was conducted in the form of remote counselling sessions, online tutoring, and trainings. Common tools for virtual engagement were phone calls, online video conference tools, social media, and

email. Expanded service offers in response to additional user needs included mental health support, supply with basic goods, support in the access and use of digital communication tools, welfare advice and general guidance around Covid-19.

Key concerns related to these changes included service user disengagement, a reduced service impact due to 'lighter touch' delivery, volatility in referral numbers and a reduced ability to achieve outcomes due to lockdown measures.

#### **2.4.4 Lessons and recommendations**

While the realities of responding to the Covid-19 pandemic were and remain unprecedented, there is a great deal of learning from the experiences of LCF SIBs. As was mentioned in the previous section, contractual terms were found to be unhelpful during the crisis, as they concentrated on termination rather than the adaptation that stakeholders wanted. The security enabled by DCMS's offer of temporarily altered payment mechanisms could be built into outcomes contracts to allow projects to continue (rather than to terminate) in the face of wholly unexpected events. Future template contract language may wish to indicate emergency procedures that revise rather than terminate the project, mindful that alterations to payment terms will have implications on value-for-money estimates as well as the fidelity and efficacy of the payment-by-results mechanism.

Outcomes contracts generally have built-in flexibility that allow service adaptations to be made without contractual alterations. The long-term nature of the outcomes payments allowed projects (regardless of payment mechanism) to focus on maintaining service user involvement and meeting users' immediate needs while continuing to work towards longer-term outcomes. In some instances, the originally specified outcomes were often found to be inflexible during the crisis. Longer-term outcomes may require reprofiling if opportunities for participant recruitment and outcome achievement are reduced.

Finally, while the LCF application process was largely thought to be onerous, the relationships forged during that process between the LCF delivery partnership and LCF SIBs were thought to be hugely beneficial for rapid problem-solving at the outset of the crisis.

# Limitations of this report

This evaluation marks an attempt to capture details of the LCF SIBs over a critical period in their development. While this report makes a significant contribution in documenting changes over this time, the findings offered here are very early term, and key elements of the LCF and projects within it will continue to change. There are likely to be further contract and service adaptations brought about by new phases of the pandemic and a return to normalcy.

A key limitation of this report is its reliance on secondary data analysis. Barring the survey, the quantitative and qualitative information used in analysis was initially collected for administrative purposes, not the research questions posed throughout the report. It is as yet unknown how this might influence the findings presented here as additional primary data collection evaluation activities were not designed into the LCF primary evaluation at its outset, nor were they undertaken over the 2020 period so as to not overburden local projects.

This report is primarily concerned with documentation and sense-making, not prediction. The evidence and lessons may be transferable, but the goal of this work is not producing generalisable information. The relatively small number of projects coupled with the outsized influence of a small number of stakeholders - namely investors and their representatives and intermediaries - mean that the patterns observed within LCF projects are unlikely to be reproduced elsewhere. Equally, some of the adaptations documented in this report may have already been on the cards for LCF projects. We cannot uniformly say that the pandemic brought all of them about (i.e. reprofiling of outcomes, new service adaptations). Unpicking which alterations were made due to the pandemic, even in future research, may not be feasible.

# Future LCF research and evaluation

Given these gaps and limitations, future LCF evaluation would benefit from exploring in greater detail project decision-making regarding withdrawal from the LCF and substantive changes to service delivery and/or payment terms.

LCF primary evaluation activity must continue to track ongoing project adaptations to respond to its central research question - what are the characteristics of SIBs funded through the LCF and to what degree are they successful in achieving specified social outcomes? Clear indications of how projects have amended service delivery, altered cohort eligibility criteria, increased or reduced outcome prices are crucial aspects of understanding the relationships between project design and project performance.

In the nearer term, documenting whether virtual service delivery continues post-recovery will be important, and some analysis on how this impacts service management, user experience, and cost could provide some indication of how these adaptations are likely to affect performance. Simultaneously, clear documentation of changes to outcomes and payment terms is critical in being able to respond to whether these projects perform on their own terms. Future reports should compare outcomes achievement both to originally signed off forecasts (as presented in this report) as well as renegotiated targets, due to Covid-19 or otherwise.

# 2021 project update

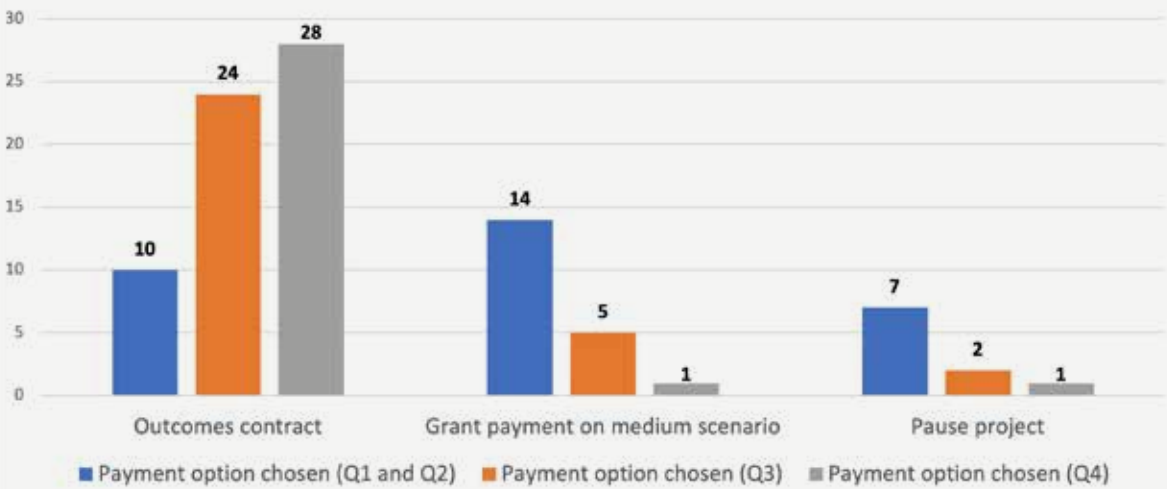
The payment mechanism choices represented above were only expected to hold until 1 October 2020. All projects were expected to return to outcomes contracts at this date. While 24 projects were able to resume on outcomes as planned, five projects were granted extensions to remain on medium scenario grants until 1 January 2021. When the analysis for this report was compiled in December 2020, two other projects remained paused and were expected to launch in 2021.

By January 2021, all but two projects had switched back to outcomes. One of these is paused and is yet to begin service delivery (Northamptonshire) while the other (ParentChild+) has been allowed to stay on medium scenario grants through March 2021. Meanwhile, the Adults with Complex Needs project withdrew from the Life Chances Fund in late 2020. Temporary changes to outcome payment metrics have also been agreed for five projects that are on outcomes.

Figure 10 below shows projects’ decisions across the financial year 2020 - 2021. The figure compares how the proportion of projects choosing each of the three options changed over time (between Q1/Q2, Q3 and Q4). Quarter 1 and 2 cover the period from 1 April 2020 - 30 September 2020, while Quarter 3 represents 1 October 2020 - 31 December 2020. Quarter 4 covers the period from 1 January 2021 - 31 March 2021. Appendix 5.5 disaggregates these decisions by individual projects.

In parallel, several projects have been awarded additional funding through the Further Allocations process. Based on applications for project changes such as incorporating new local commissioners, delivery areas and service users, the process was intended to allow launched projects to scale up. The process coincided with the onset of Covid-19 and requested changes are likely to have been influenced by it.

Figure 10 Payment options chosen (LCF payments) by projects over time



Source: GO Lab researchers’ interpretation of data from DCMS Data Portal and internal documents from The Community Fund.



# Appendix

## A 1 Table of LCF Project Names and INDIGO IDs

LCF Project Name	INDIGO Code
Cornwall Frequent Attenders Project	INDIGO-POJ-0167
Big Picture Learning in Doncaster	INDIGO-POJ-0168
DFN-MoveForward	INDIGO-POJ-0169
Enhanced Dementia Care Service	INDIGO-POJ-0170
Fostering Better Outcomes	INDIGO-POJ-0171
FutureImpact	INDIGO-POJ-0172
Integrated Family Support Service (IFSS)	INDIGO-POJ-0173
ParentChild+	INDIGO-POJ-0174
Kirklees Integrated Support Services	INDIGO-POJ-0175
Mental Health and Employment Social Impact Bond (Haringey & Barnet)	INDIGO-POJ-0176
Midlands Regional Pause Hub	INDIGO-POJ-0177
Stronger Families Norfolk	INDIGO-POJ-0178
Opening Doors	INDIGO-POJ-0179
Reducing the prevalence of mothers experiencing recurrent care proceedings	INDIGO-POJ-0180
Promoting Independence	INDIGO-POJ-0181
Single Homeless Prevention Service (SHPS)	INDIGO-POJ-0182
Stronger Families Suffolk	INDIGO-POJ-0183
West London Zone, placed-based support for children and young people: scale-up	INDIGO-POJ-0184
MHEP Enfield	INDIGO-POJ-0188
MHEP Shropshire	INDIGO-POJ-0189
IPS employment support for people with drug and alcohol addictions	INDIGO-POJ-0190
MHEP Tower Hamlets Learning Disabilities	INDIGO-POJ-0192
MHEP Tower Hamlets Mental Health	INDIGO-POJ-0193
Pyramid Project - Step down from Residential Care Provision	INDIGO-POJ-0194
The Skill Mill	INDIGO-POJ-0195
Chances	INDIGO-POJ-0198
Gloucestershire Positive Behaviour Support	INDIGO-POJ-0199
Norfolk SIB for Carers	INDIGO-POJ-0200
DN2 Children's Services Social Impact Bond	INDIGO-POJ-0201

## A 2 Full tables of project descriptions<sup>36</sup>

Project Name	Service delivery launch	Service launch to 23 March 2020 (months)	% outcomes payments from LCF <sup>37</sup>	Policy Area <sup>38</sup>	SPV	Project lead
<b>Outcomes Contract</b>						
Stronger Families Norfolk	Launched before lockdown	13.5	13.80%	Child & family welfare	Yes	Commissioner led
Promoting Independence	Launched before lockdown	4	25.00%	Homelessness	Yes	Commissioner led
Midlands Regional Pause Hub	Launched before lockdown	1.5	40.00%	Child & family welfare	Yes	Intermediary led
Opening Doors	Launched before lockdown	4.5	22.00%	Homelessness	No	Commissioner led
Reducing the prevalence of mothers experiencing recurrent care proceedings	Launched before lockdown	11.5	40.00%	Child & family welfare	No	Commissioner led
Stronger Families Suffolk	Launched before lockdown	12	11.40%	Child & family welfare	Yes	Commissioner led
Fostering Better Outcomes	Launched before lockdown	21	21.50%	Child & family welfare	No	Commissioner led
Single Homelessness Prevention Scheme (SHPS)	Launched before lockdown	8	35.00%	Homelessness	Yes	Intermediary led
Pyramid Project- Step down from Residential Care Provision	Launched after lockdown (on 01/04/2020)	0	16.50%	Child & family welfare	Yes	Commissioner led
A Norfolk SIB for Carers	Launched after lockdown (on 01/09/2020)	0	44.50%	Child & family welfare	Yes	Commissioner led

<sup>36</sup> This table is primarily based on self-reported data from LCF projects, hosted within the DCMS data portal for the Life Chances Fund

<sup>37</sup> Figures in this column are based on self-reported data from projects in Spring 2020, captured in the DCMS Data Portal for the Life Chances Fund

<sup>38</sup> Policy areas have been matched to those in the INDIGO data dictionary, based on projects' aims, interventions and outcomes

<sup>39</sup> The count includes DCMS as the central government outcome payer

	No. local outcome payers	No. of providers	No. investors	No. intermediaries	Total stakeholder organisations <sup>39</sup>	Payment option (1 Apr - 30 Sept 2020)	Payment option (1 Oct - 30 Dec 2020)	Payment option (1 Jan - 30 Mar 2021)
	1	1	1	0	4	Continued on outcomes contract	Continued on outcomes contract	Continued on outcomes contract
	1	1	1	0	4	Continued on outcomes contract	Continued on outcomes contract	Continued on outcomes contract
	3	2	1	0	7	Continued on outcomes contract	Continued on outcomes contract	Continued on outcomes contract
	1	2	1	0	5	Continued on outcomes contract	Continued on outcomes contract	Continued on outcomes contract
	1	1	1	0	4	Continued on outcomes contract	Continued on outcomes contract	Continued on outcomes contract
	1	1	1	1	5	Continued on outcomes contract	Continued on outcomes contract	Continued on outcomes contract
	1	1	1	0	4	Continued on outcomes contract	Continued on outcomes contract	Continued on outcomes contract
	6	3	1	1	12	Continued on outcomes contract	Continued on outcomes contract	Continued on outcomes contract
	5	1	1	2	10	Continued on outcomes contract	Continued on outcomes contract	Continued on outcomes contract
	1	5	1	0	8	Launched on outcomes contract	Continued on outcomes contract	Continued on outcomes contract

MHEP Tower Hamlets Mental Health	Launched after lockdown (01/04/20)	0	42.00%	Employment & training	Yes	Intermediary led
MHEP Limited Enfield	Launched after lockdown (01/04/20)	0	42.00%	Employment & training	Yes	Intermediary led
MHEP Shropshire	Launched after lockdown (01/04/20)	0	42.00%	Employment & training	Yes	Intermediary led
IPS employment support for people with drug and alcohol addictions	Launched before lockdown	14.5	45.26%	Employment & training	Yes	Commissioner led
MHEP Tower Hamlets Learning Disabilities	Launched after lockdown (01/04/20)	0	42.00%	Employment & training	Yes	Intermediary led
ParentChild+	Launched before lockdown	9	30.00%	Education & early years	No	Commissioner led
FutureImpact	Launched before lockdown	20.5	35.00%	Employment & training	No	Provider led
Kirklees Integrated Support Services- KISS	Launched before lockdown	6.5	29.60%	Homelessness	Yes	Commissioner led
West London Zone	Launched before lockdown	7	29.40%	Education & early years	No	Provider led

40 Figures in this column are based on self-reported data from projects in Spring 2020, captured in the DCMS Data Portal for the Life Chances Fund

41 Policy areas have been matched to those in the INDIGO data dictionary, based on projects' aims, interventions and outcomes

42 The count includes DCMS as the central government outcome payer

	No. local outcome payers	No. of providers	No. investors	No. intermediaries	Total stakeholder organisations <sup>42</sup>	Payment option (1 Apr - 30 Sept 2020)	Payment option (1 Oct - 30 Dec 2020)	Payment option (1 Jan - 30 Mar 2021)
	1	1	1	1	5	Switched to grant on medium scenario	Switched back to outcomes contract	Continued on outcomes contract
	1	1	1	1	5	Switched to grant on medium scenario	Switched back to outcomes contract	Continued on outcomes contract
	1	1	1	1	5	Switched to grant on medium scenario	Switched back to outcomes contract	Continued on outcomes contract
	4	1	1	1	8	Switched to grant on medium scenario	Switched back to outcomes contract	Continued on outcomes contract
	1	1	1	1	5	Switched to grant on medium scenario	Stayed on medium scenario (until 1 Jan 2021)	Switched back to outcomes contract
	1	1	1	2	6	Switched to grant on medium scenario	Stayed on medium scenario	Stayed on medium scenario (until 30 Mar 2021)
	2	1	2	1	7	Switched to grant on medium scenario	Switched back to outcomes contract	Continued on outcomes contract
	1	10	1	0	13	Switched to grant on medium scenario	Stayed on medium scenario (until 1 Jan 2021)	Switched back to outcomes contract
	4	1	1	0	7	Switched to grant on medium scenario	Switched back to outcomes contract	Continued on outcomes contract

Project Name	Service delivery launch	Service launch to 23 March 2020 (months)	% outcomes payments from LCF <sup>43</sup>	Policy Area <sup>44</sup>	SPV	Project lead
Cornwall Frequent Attenders Project	Launched before lockdown	16.5	35.00%	Health & wellbeing	No	Provider led
DFN-MoveForward	Launched before lockdown	18.5	40.60%	Employment & training	Yes	Provider led
Integrated Family Support Service (IFSS)	Launched before lockdown	23.5	40.00%	Child & family welfare	No	Commissioner led
Mental Health and Employment Social Impact Bond Haringey & Barnet	Launched before lockdown	10.5	42.00%	Employment & training	Yes	Intermediary led
Enhanced Dementia Care Service	Launched before lockdown	6.5	26.00%	Health & wellbeing	No	Commissioner led

<sup>43</sup> Figures in this column are based on self-reported data from projects in Spring 2020, captured in the DCMS Data Portal for the Life Chances Fund

<sup>44</sup> Policy areas have been matched to those in the INDIGO data dictionary, based on projects' aims, interventions and outcomes

<sup>45</sup> The count includes DCMS as the central government outcome payer

	No. local outcome payers	No. of providers	No. investors	No. intermediaries	Total stakeholder organisations <sup>45</sup>	Payment option (1 Apr - 30 Sept 2020)	Payment option (1 Oct - 30 Dec 2020)	Payment option (1 Jan - 30 Mar 2021)
	1	1	1	0	4	Switched to grant on medium scenario	Switched back to outcomes contract	Switched back to medium scenario
	1	1	1	0	4	Switched to grant on medium scenario	Switched back to outcomes contract	Continued on outcomes contract
	1	1	1	0	4	Switched to grant on medium scenario	Stayed on medium scenario (until 1 Jan 2021)	Switched back to outcomes contract
	1	1	1	1	5	Switched to grant on medium scenario	Switched back to outcomes contract	Continued on outcomes contract
	1	3	1	1	7	Switched to grant on medium scenario	Switched back to outcomes contract	Continued on outcomes contract



Project Name	Service delivery launch	Service launch to 23 March 2020 (months)	% outcomes payments from LCF <sup>46</sup>	Policy Area <sup>47</sup>	SPV	Project lead
Big Picture Learning in Doncaster	Launched before lockdown	14.5	28.50%	Education & early years	Yes	Commissioner led
Adults with Complex Needs	Withdrawn in late 2020	0	25.00%	Health & wellbeing	Yes	Commissioner led
Gloucestershire Positive Behaviour Support	Launched after lockdown (on 05/10/2020)	0	19.00%	Child & family welfare	No	Commissioner led
Chances	Launched after lockdown (on 07/09/2020)	0	30.00%	Health & wellbeing	No	Provider led
The Skill Mill	Launched after lockdown (on 03/08/2020)	0	42.80%	Criminal Justice	Yes	Provider led
DN2 Children's Services Social Impact Bond	Launched after lockdown (on 14/09/2020)	0	25.70%	Child & family welfare	No	Commissioner led
Provision of a social prescribing framework and offer at scale across Northamptonshire	Still pending launch	0	24.70%	Health & wellbeing	Yes	Commissioner led

<sup>46</sup> Figures in this column are based on self-reported data from projects in Spring 2020, captured in the DCMS Data Portal for the Life Chances Fund

<sup>47</sup> Policy areas have been matched to those in the INDIGO data dictionary, based on projects' aims, interventions and outcomes

<sup>48</sup> The count includes DCMS as the central government outcome payer

	No. local outcome payers	No. of providers	No. investors	No. intermediaries	Total stakeholder organisation <sup>48s</sup>	Payment option (1 Apr - 30 Sept 2020)	Payment option (1 Oct - 30 Dec 2020)	Payment option (1 Jan - 30 Mar 2021)
	1	1	1	0	4	Paused	Switched back to outcomes contract	Continued on outcomes contract
	3	2	1	0	7	Paused	Pause	Withdrew from LCF
	2	1	1	1	6	Paused (until launch date of 05/10/2020)	Launched on outcomes contract	Continued on outcomes contract
	16	14	1	0	32	Paused (until launch date of 07/09/2020)	Continue on outcomes contract	Continued on outcomes contract
	7	1	4	0	13	Paused (until launch date of 03/08/2020)	Continue on outcomes contract	Continued on outcomes contract
	3	1	2	0	7	Paused (until launch date of 01/10/2020)	Launched on medium case scenario	Switched to outcomes contract
	3	0	1	0	5	Paused	Pause	Paused



Government Outcomes Lab  
Blavatnik School of Government  
University of Oxford

[golab.bsg.ox.ac.uk](http://golab.bsg.ox.ac.uk)

© 2021 | Government Outcomes Lab