

About Commissioning Better Outcomes and the Social Outcomes Fund



CabinetOffice



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Our website www.biglotteryfund.org.uk/sioutcomesfunds

Accessibility

Please contact us to discuss any specific communication needs you may have.

About the Big Lottery Fund

The Big Lottery Fund's equality principles

Promoting accessibility; valuing cultural diversity; promoting participation; promoting equality of opportunity; promoting inclusive communities; reducing disadvantage and exclusion. Please visit our website for more information.

We care about the environment

The Big Lottery Fund is working towards sustainable development and the use of sustainable resources.

Our mission

The Big Lottery Fund is committed to bringing real improvements to communities and the lives of people most in need.

You can find out more about the Big Lottery Fund, our values and the funding programmes we run by visiting our website: www.biglotteryfund.org.uk

The Big Lottery Fund is committed to valuing diversity and promoting equality of opportunity, both as a grantmaker and employer. The Big Lottery Fund will aim to adopt an inclusive approach to ensure grant applicants and recipients, stakeholders, job applicants and employees are treated fairly.

About the Cabinet Office

The Cabinet Office exists to support the Prime Minister and Deputy Prime Minister, and ensures the effective running of government. We are also the corporate headquarters for government, in partnership with HM Treasury, and we take the lead in certain critical policy areas. Within the Cabinet Office the Social Investment and Finance team supports the UK social investment market to grow by:

- Increasing the supply of capital into the market – for example, through developing the potential for retail investment, and promoting London as a global hub for social investment
- Growing the demand for capital – for example, through increasing the capacity and capability of social enterprises to take on investment, as well as supporting the development of SIBs through our specialist Centre for Social Impact Bonds
- Creating an enabling environment for investment to occur – for example, through tackling the regulatory barriers to social investment in the UK and exploring new legal forms of investment structures to catalyse the market.

You can find out more about the Cabinet Office and our social investment work here:

www.gov.uk/government/policies/growing-the-social-investment-market

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What's it all about?

Commissioning Better Outcomes and the Social Outcomes Fund

The Big Lottery Fund and the Cabinet Office have been working together to support the development of more innovative approaches to improving social outcomes. We have focused on approaches that use payment by results (PbR) mechanisms, particularly those which involve social investment such as Social Impact Bonds (SIBs). To achieve this we set up two funds - the Cabinet Office's Social Outcomes Fund and the Big Lottery Fund's Commissioning Better Outcomes with a joint mission to help develop more SIBs. Between them these Funds are making up to £60m available to pay for a proportion of outcomes payments for these types of models in complex policy areas, as well as support to develop robust proposals.

Our shared overarching aim is to grow the market in SIBs, while each Fund has a specific focus that reflects the missions of the Big Lottery Fund and Cabinet Office. For the Big Lottery Fund this is to enable more people, particularly those most in need, to lead fulfilling lives, in enriching places and as part of successful communities. For the Cabinet Office, this is to catalyse and test innovative approaches which address complex issues using outcomes based commissioning.

Definitions of terms used in this document

'Project'	The PbR/SIB you want us to fund a proportion of outcomes payments for
'Interventions'	The activities that the provider carries out in order to achieve the outcomes in the PbR/SIB contract
'Cohort'	The target beneficiary group or groups the intervention will work with

Payment by results and social impact bonds

A 'payment by results' contract is one where a public sector commissioner agrees to make a payment if a service provider achieves certain outcomes. This means service providers receive funding for the improvements they make for people and communities rather than the activities they deliver. For example, rather than directly funding CV writing workshops and job readiness programmes to support unemployed people back into work, payments would be made based on the number of people a provider successfully supports back into employment. This approach means there is more room for innovation in service provision and greater freedom to demonstrate solutions that work.

Service providers may come from the private or voluntary, community and social enterprise (VCSE) sector. However, some providers do not have the financial resources to wait until outcomes are achieved before they are paid, particularly if they come from the voluntary, community and social enterprise (VCSE) sector. Social investment can fill this gap through a model known as a Social Impact Bond or a SIB.

In a SIB, investors provide upfront capital to enable organisations, often from the VCSE sector, that require support to deliver services under a PbR contract. The investors receive their investment back, plus a return if outcomes are achieved, through outcomes payments made by the commissioner. Outcomes payments are often based on savings made by the commissioner resulting from a successful intervention.

Although a SIB is just one type of PbR model, throughout this guidance we use the term 'SIB' to mean any PbR model.

What are we looking for?

Where outcomes can be clearly defined and measured, SIBs can be a powerful tool. However, because complex social issues often span multiple parts of the public sector, it can be challenging for a single commissioner to pay for all of the outcomes achieved, particularly when budgets are tight. In this situation commissioners can apply to Commissioning Better Outcomes and could apply to the Social Outcomes Fund for a 'top up' to their outcomes payments. This top-up is in recognition of the benefits that accrue to other public sector commissioners who are unable to pay for outcomes achieved. The Funds will catalyse innovative services that deliver positive social outcomes and generate evidence on what works in tackling complex social problems. **As of July 2015 SOF is fully committed.**

SIBs are new and innovative structures that enable a different approach to commissioning.

There is a growing body of resource and support available to SIB developers and we recommend that applicants make the most of this throughout the application process.

The Cabinet Office Centre for Social Impact Bonds provides light-touch support to SIB developers and has produced a series of tools and resources to help develop SIBs

You can contact the Centre for Social Impact Bonds by emailing sibs@cabinet-office.gsi.gov.uk.

Development funding and the support of an independent support contractor will also be available to organisations that have been invited to the development grant stage.

There is growing interest among public sector commissioners in the potential of SIBs to tackle complex and expensive social issues. Commissioning Better Outcomes has an overarching aim to support the development of more SIBs. Its specific objectives are set out below:

Commissioning Better Outcomes

- Improved skills and confidence of commissioners with regards to the development of SIBs
- Increased early prevention is undertaken by delivery partners, including VCSE organisations, to address deep rooted social issues and help those most in need
- More delivery partners, including VCSE organisations, are able to access new forms of finance to reach more people
- Increased learning and an enhanced collective understanding of how to develop and deliver successful SIBs

As of July 15 Commissioning Better Outcomes (CBO) is closed to new applicants.

CBO aims to support a portfolio of funded proposals comprising transformational ideas, including higher risk potentially more impactful proposals, as well as proven ideas with a good track record of delivery; and new models of funding or delivery, including SIBs and other PbR models.

Who can apply?

As many of the objectives for the two funds overlap and complement each other, there is a single application process with common forms to make applying as simple as possible

Applicants follow an application process consisting of an expression of interest (EoI) and, once this is approved, a full application, with an option to apply for development funding to support feasibility. Commissioners, providers or intermediaries can all submit an EoI, but we expect full applications to be from a commissioning organisation (typically a public sector organisation). For example:

- a Local Authority, seeking to improve outcomes for troubled families.
- a Housing Association seeking to reduce rent arrears arising from poverty due to families being not in education, employment or training.
- a Clinical Commissioning Group, seeking to reduce hospitalisation of the elderly.
- a Police and Crime Commissioner, seeking to reduce gang membership A Central Government Department could work with Local Authority Co-commissioners to obtain CBO funding to, for instance, help reduce drug use.

In exceptional circumstances we would consider full applications from other organisations (such as providers) as long as there is a commissioner who is funding commissioned services involved. Please discuss this with us before applying.

Throughout the development of your model, we expect you to:

- undertake early and extensive research and stakeholder engagement
- consult with beneficiaries
- consult with a wide range of potential delivery partners, including those from the VCSE sector
- find support for your SIB from a range of different stakeholders such as other commissioners, investors, delivery partners and prime contractors
- be aware of your obligations under the Public Services (Social Value) Act 2012, and consider how any procurement might improve the economic, social and environmental wellbeing of the local area.

What types of SIB can we fund?

We will only offer top ups to create new SIBs and will not pay for additional outcomes for existing SIBs. This is because one of the key aims of the funds is to grow the SIB market.

Under CBO, the Big Lottery Fund will only fund SIBs and PbR models that have a clear emphasis on social outcomes resulting in long term gains, and that do not replicate or replace services that a public body has a statutory duty to provide. CBO will only fund applications that involve social investment in one form or another. While the Social Outcomes Fund encourages applications that involve social investment it will also consider applications which are on a PbR basis.

We do not want to prescribe the sorts of interventions or outcomes that will be commissioned. We want to top up SIB models that address complex social issues, include a measurable outcomes framework, and have the potential to attract external investment. This means a variety of organisations that are involved in delivering services for people and communities across a range of policy areas, from crime and employment to health and housing, could be involved in the SIB. We particularly encourage active engagement with the VCSE sector, as delivery partners, lead applicants, managers of SIBs and in providing specialist technical support based on existing VCSE specific knowledge and skills.

The application process & timetable

Process

There are two stages to the application process:

1. **Expression of interest** –The deadline for Eol's has now passed and late Eol applications will not be accepted. If you did not submit an Eol by 30 June 2015, your proposal will not be eligible for CBO funding .
2. **Full application** – this will set out full details of how the SIB will operate. It requires similar information to that in the Eol but in considerably more detail including the target cohort, the outcomes and how they will be measured and paid for, investor engagement strategy, potential delivery partners, and proposals for evaluating the SIB. A full application requires a feasibility study to be undertaken. The time taken to complete a feasibility study and submit a good quality full application will vary from case to case, but applicants should expect it to take at least three months. CBO will agree a timeline for application submission with each applicant.

If you are successful you will be made an **in-principle** offer. You will then need to openly procure your delivery partners and raise any investment if required. Offers will be confirmed once you have fulfilled any conditions precedent. Outcomes payments will be made in arrears, and only if or when the outcomes measures set out in the full application, and which form part of your offer, are achieved.

Please note it has taken between four and six months for applications to get from an in-principle offer to final award so far. It is possible to launch a SIB with only in-principle support, but CBO will only fund activities undertaken with CBO outcome payments after a full award has been offered and accepted.

Development funding

If you have been successful at Eol stage, you can apply for funding to buy in technical support to help you to develop your proposal. More details of the types of support that you might need are set out below under 'What you can apply for'.

Development funding is optional. If you don't need it you can progress straight from Eol to full application.

You can use development grant funding to project manage your full application post feasibility work and to retain outsourced expertise to answer technical questions during in-principle assessment. All development grants must complete before full award in principle decision, the last such decision is expected to be made in Autumn 2016.

Please note CBO will only fund development grants where the feasibility is completed by May 2016. This is to allow applicants at least two months to complete full award applications before the programme closes at the end of July 2016.

Timetable

You can submit your development funding application, and full applications at any time within these applications windows. Awards will be made on an ongoing basis.

31 December 2015 – Closed to development funding applications

31 July 2016 – Closed to full applications

September 2022 – Final CBO funded outcomes payments made

December 2022 - CBO project evaluations completed

March 2023 - CBO Programme Closes

You can expect to get a decision on each stage of the application process within the following timescales:

- **Development funding applications** – within six weeks of submitting
- **Full applications** – within two months of submitting on a pre-agreed date
- **Final awards** – on a pre-agreed date within two months of meeting in-principle terms

How much can you ask for?

Development funding

You can ask for between £10,000 and £150,000 of development funding to purchase technical support to develop your SIB.

Generally we will not fund more than £100,000 in any case and not more than £50,000 where there are established interventions in the social policy area your proposal covers.

More development funding (over £100,000) may be available in the most exceptional circumstances.

You must discuss this with us in advance of applying, as a request for a greater amount must be agreed in principle by us before any full development grant application is submitted.

Please be aware that any in-principle decision to allow an organisation to apply for a greater amount does not commit the CBO programme to awarding this amount once the application has been received and assessed.

Outcomes payments

There is no minimum or maximum funding available for each SIB but we expect the average amount of funding to be around £1 million. Any proposal will need to make an extremely strong case for support, especially if the request is above this figure.

We will only contribute a minority proportion of outcomes payments, and expect the average contribution to be around 15 per cent of the total outcomes payments from CBO.

A greater proportion of outcome payments may be available in exceptional circumstances. Again, please discuss this with us before applying.

How much is available?

The Big Lottery Fund has up to £40 million available through Commissioning Better Outcomes. Over £5 million of this total has been set aside for development funding.

What can you apply for?

Development funding can be used to purchase technical support including, but not limited to:

- identifying savings (to the commissioner and other organisations) and their value estimating cashability of savings and identifying ways of realising them
- cohort definition and referral pathways
- refining and pricing of outcomes
- developing metrics
- developing the structure of the SIB
- developing the payment mechanism for outcomes
- engagement with potential investors and providers
- financial, governance and legal support
- obtaining tax and VAT advice
- refining proposal financials
- project management.

Development Funding **cannot** be used for:

- administration and non-specialist support including expenses
- general management activities
- preparing the CBO full application
- capital items and capitalised items
- day-to-day running costs for organisations
- day-to-day running costs of any SIB special purpose vehicle
- pilot activities or any direct service delivery
- retrospective costs prior to acceptance of the development grant award
- supporting statutory services or provision.

In your full application you can ask us to pay for a minority proportion of outcome payments to cover, for example, non-cashable savings or savings that fall to other commissioners who cannot pay for outcomes.

Full application CBO outcomes payments **cannot** be used to pay for:

- capital and capitalised items
- private financial gain including repayment of dividends, interest and performance related surpluses
- retrospective costs, committed prior to acceptance of final award
- supporting statutory services or provision.

What else do I need to know?

Decision making

Big Lottery Fund will make final decisions on CBO funding awards. Funding will be subject to final terms and conditions depending on which fund makes the award.

Please note CBO will:

- need evidence of the calculations underpinning the metrics for cashable savings, claiming of outcomes payments and repayment of social investment and other finance
- require all applicants to demonstrate how the proposal retains sufficient liquidity throughout its lifetime to meet all expenditure requirements
- need to know how the lead organisation will manage any conflicts of interest arising from governance of the SIB
- need to be satisfied that the data relating to the proposed payment triggers will be satisfactorily collected and independently verified.

Public announcement

We will publicise in-principle offers and accept no liability for any consequences, whether direct or indirect, that comes about if we subsequently decide to withdraw the offer.

External validation

The Big Lottery Fund will externally validate applications. If you have concerns about our sharing this with particular organisations please let us know.

Evaluation of SIBs

The objectives of the funds are furthered using data captured from SIBs. It will therefore be the

effectiveness of the intervention, resulting savings and how cashable they are over time. In addition commissioners and providers must be willing to engage with evaluators of their applications.

The Big Lottery Fund has engaged an external evaluator to evaluate the SIBs funded through Commissioning Better Outcomes. SIBs funded through the Social Outcomes Fund are subject to the Cabinet Office's open data policy which is available at www.biglotteryfund.org.uk/sioutcomesfunds.

The programme evaluation will supplement the evaluation of each proposal conducted by the project and CBO expects all applicants to have well-developed evaluation plans in line with programme guidance (link to evaluation guidance) at in-principle stage.

Please contact us if you have any questions.

How do I find out more?

You can obtain further information about the outcomes funds from:

www.biglotteryfund.org.uk/sioutcomesfunds

If you want to discuss your proposal with us in more detail you can send an email to sioutcomesfunds@biglotteryfund.org.uk

Help with communication

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We can send you this publication in other formats, such as large print or audiotape.

We will also try to help with other communication needs. Just let us know how we can help you.