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

KEY FINDINGS | December 2021

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This document summarises the key findings of the first report from the primary evaluation of the Life Chances Fund (LCF). 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). The report is in two parts. Part I describes the LCF application process using management information, survey data and a focus group. Part II examines the adaptations LCF projects initially undertook in response to the COVID-19 pandemic, during March-October 2020, based on survey data, observational data and project updates.

RECOMMENDATIONS

Based on the findings of the report, the research team identified three key recommendations for future outcomes funds:

1) 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. Additional guidance and bespoke support to local partners would be beneficial.

2) Transparency

Enhanced transparency and reporting around LCF projects, including SIB performance in the longer term, offers an opportunity to advance local practice and improve the design and implementation of future outcomes-based approaches to public services.
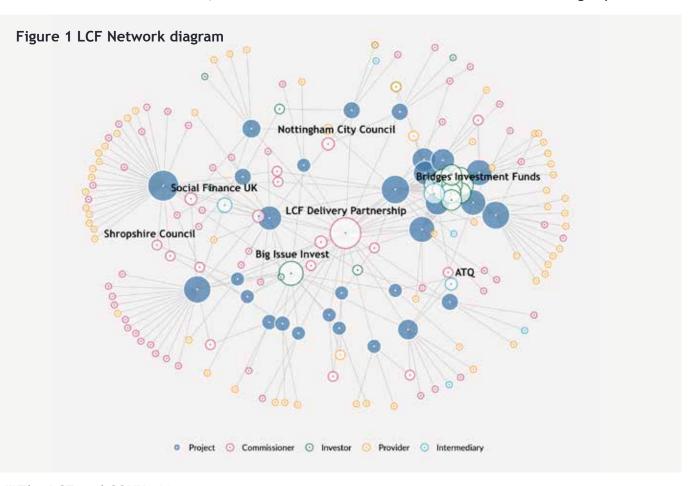
3) Flexibility

Strict contractual terms like force majeure were found to be unhelpful at the outset of the COVID-19 crisis, as they did not match stakeholders' desire to adapt rather than terminate. The flexibility afforded by long-term outcomes payments, as well as DCMS' offer of temporary payment alterations, allowed for service continuity and adaptation.

I) An introduction to LCF projects

The five-stage LCF application process received 197 expressions of interest with 31 projects ultimately successful in securing funding. The 31 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). Figure 1 (right) displays the LCF network diagram. An interactive version is available here.

Stakeholder network analysis found that 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, and Intermediaries are the third most central stakeholder group.

Figure 1 LCF Network diagram

II) The LCF and COVID-19

Following the onset of COVID-19 in early 2020 and the introduction of restrictions on social contact, the operations of social services – including SIBs – were significantly disrupted. DCMS gave LCF projects three options (pause, continue, or switch to temporary grant payments) to facilitate adaptation. To capture these adaptations, the research team explored three research questions:

1) How was 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. 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.

2) Were contractual terms 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. 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.

3) How did 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 intended to reduce the spread of COVID-19, 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.

> **This summary, and the report which underpins it, was prepared by the Government Outcomes Lab as part of the primary evaluation of the Life Chances Fund. For more information, you can read the main report and technical annexes on www.gov.uk/government/publications/life-chances-fund-introductory-primary-evaluation-report.**