



Youth Engagement Fund Evaluation

Final Report

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Executive Summary

In March 2016 Ecorys UK was commissioned by the Office for Civil Society to evaluate the Youth Engagement Fund (YEF), a £16m Payment by Results (PbR)¹ fund that aimed to help disadvantaged young people aged 14 to 17 to participate and succeed in education or training. DWP was the Contracting Authority and oversaw delivery. YEF had four objectives:

- Objective 1: Delivering support to help young people aged 14 to 20 who are disadvantaged, or at risk of disadvantage, to enable them to participate and succeed in education and training, to improve their employability, reduce their likelihood of future offending and improve health and wellbeing.
- Objective 2: Enabling schools, academies, local authorities, colleges and others to use their resources more effectively to support disadvantaged young people and reduce the number of young people who become NEET.
- Objective 3: Test the extent to which a PbR approach involving social investors² can drive improved outcomes³ for young people and generate benefit savings, as well as other wider fiscal and social benefits.
- Objective 4: Support the development of the social investment⁴ market, build the capacity of social sector organisations and contribute to the evidence base for Social Impact Bonds (SIBs).

The programme included four projects:

- **Aim for More, delivered by Teens and Toddlers (now Power2) in Greater Manchester:** The aim was for young people to acquire work experience in a nursery, mentoring a disadvantaged toddler, gain entry level qualifications in personal and social development and participate in classroom sessions during an 18 week programme. Following this, they received ongoing support towards their GCSEs, including group meetings, individualised tutoring, and careers coaching and sign-posting.
- **Unlocking Potential, delivered by Career Connect in Merseyside:** The programme was typically 13 weeks long, during which a coach developed and implemented an individualised action plan with the young person, which could include resilience training, coaching, employability support, the completion of qualifications and sign-posting to other specialised provision.
- **Youth Engagement Fund, managed by Prevista and delivered by 12 service providers in London:** Activities included a range of tailored in- and out-of-school activities supported through a personal career coach, including volunteering, skills and enrichment activities, group work, employment integration activities, youth applied positive psychology and work with the young person's family.

¹ Payment by Results is the practice of paying providers for delivering public services based wholly or partly on the results that are achieved

² A social investor is an investor seeking social impact in addition to financial return. Social investors can be individuals, institutional investors, dedicated social investment funds and philanthropic foundations, who invest through their endowment. A list of UK social investors can be found on the Good Finance website

³ An outcome is what changes for an individual as the result of a service or intervention. For example, improved learning in school, better mental health

⁴ Social investment is the use of repayable finance to achieve a social as well as a financial return. According to Big Society Capital social investment requires both the investor and the user/investee to explicitly intend to create a positive social impact. For investors, social investment is part of the spectrum of impact investment

- **FutureShapers, delivered by Sheffield Futures in Sheffield:** The programme aimed to provide wrap-around support to young people through a personal mentor over an extended time-period, as well as group work, skills development, enrichment activities, work experience opportunities and spot purchasing of specialist support.

The YEF projects were funded through a SIB. A SIB is a type of PbR contract. Like other types of PbR, a commissioner⁵ (usually one or more public sector bodies) agrees to pay for outcomes delivered by service providers⁶, and unless those outcomes are achieved, the commissioner does not pay. Payments were made on a 'rate card' basis; that is, fixed payments were attached to a range of outcomes, including school-based examples (attitude, behaviour and attendance), qualifications (from entry-level to level 3) and employment with training (including entry into and sustained employment).

The original evaluation strategy had two strands, a process evaluation and impact evaluation, and has two phases, a refinement phase and delivery phase. Due to unforeseen complications with the data collected during the programme and changes in data sharing regulations an impact evaluation was not possible (please see further detail on p. 38, in Chapter 6.0 Conclusions, Lessons Learnt and Recommendations on Objective 2).

This report details the findings from the process evaluation. This included the following:

- Central Government stakeholder consultations at two time points
- Case study visits to all four projects at two time points, interviewing representatives from all stakeholder groups
- Research with young people, including focus groups and longitudinal one-to-one interviews. In total 74 young people were consulted.

Progress in implementing projects

Overall the interventions delivered through the Youth Engagement Fund appear to have been implemented successfully. The service providers ran a set of services that were attractive to referring organisations and young people alike, and were effective in engaging young people. In particular, the quality of the coaching/mentoring appears to have been the most valued element of the support, coupled with a set of complementary programmes that young people could be signposted into in order to tackle specific issues in a tailored manner.

However, there were limitations to the support. The providers did not necessarily support the most disadvantaged young people in the area, and focused primarily on supporting young people rather than also addressing the wider factors that affect whether young people become NEET (such as supporting parent aspirations). To a degree both of these limitations were influenced by the design of elements of the programme.

⁵ A commissioner is a public organisation or official responsible for commissioning public services. In SIBs they are the outcome payer and are typically a central or local government organisation.

⁶ A service provider is responsible for delivering the service to the beneficiaries and are often charities. They will work in collaboration with the commissioner and the investor to make the SIB work.

Outcomes achieved by projects

The projects claimed outcomes for 8,039 young people (1,878 per project, ranging from 459 to 4,040).⁷ According to information supplied by the projects, these young people achieved a total of 23,175 outcomes (average of 3 outcomes per young person). The areas of greatest progress included:

- 3,901 young people gaining a QCF accredited entry level qualification (below GCSE)
- 3,859 young people improving their attitude to school or education
- 3,591 young people improving their behaviour at school

Areas of least progress included:

- Gaining a first QCF level 3 training/vocational qualification (101 young people)
- Entry into sustained employment (26 weeks) (265 young people)
- Entry into first employment (16 hours per week or more) with a training element (e.g. an apprenticeship, or work-based learning) (482 young people)

During the case study visits the service providers asserted (corroborated by referring organisations) that most young people they supported did move into a positive destination post-16. However, this is not captured in the outcomes data because projects had to specify the particular number of young people that would enter each type of post-16 destination (i.e. level 3 qualification or sustained employment). Furthermore, projects believed that if they had a longer timeframe to claim outcomes more young people would have moved into a post-16 destination. Ultimately, stakeholders felt that specific elements of the SIB design limited their ability to claim outcomes.

This data has been self-reported by the providers to the evaluators.

View on design and monitoring of social impact bonds

There was a general view amongst stakeholders that the SIB model had been designed well. However, there were a number of areas for development, which negatively affected SIB delivery and should be re-examined when future SIBs are designed. The lessons learnt in SIB design and monitoring are listed in the table overleaf.

⁷ There was a cap on the number of young people projects could claim outcomes for, based on the number they committed to supporting at proposal stage. Some projects supported more young people than they claimed outcomes for, however as we do not have this information consistently across the projects we only include here information on claimed young people and outcomes.

Table 1: Summary of key lessons learnt in delivering YEF

For NEET prevention programmes:

1. NEET-prevention support needs to be designed differently if supporting young people aged 14 to 15, or 16+, recognising that young people aged 14 to 15 will be based in schools whilst those aged 16+ are likely to be dispersed across a wider set of institutions (if at all) and may be harder to contact and engage.

For all SIBs:

2. Recognise that it will take some time for the project to 'bed in' and reach full volumes of participants. Future programmes should avail themselves of a full implementation period to ensure mechanisms are in place for a project to get off to the best start.
3. Using local contributors (i.e. local authorities contributing to part of the outcome payments) in SIBs commissioned by central government increases the engagement of local public bodies and ensures to a certain degree that the SIB is embedded within the local ecosystem.
4. When SIBs are replicated they can operate more effectively, as service providers are able to build on relationships and lessons learnt from the previous SIB.
5. When attaching costs to outcomes, commissioners should consider the cost of delivery for the target cohort (taking account of a range of needs including the most disadvantaged), as well as any possible cashable savings.
6. Eligibility criterion should be clearly defined to avoid cherry picking.
7. SIB projections can be prone to optimism bias, and should be rigorously tested and challenged.
8. When outcome numbers are set and there is no room for flexibility, service providers need to be able to ensure the profile of beneficiaries matches the outcomes they are trying to achieve (whilst avoiding cherry picking).
9. There must be a strong link between the intervention provided by the service provider and the outcomes that payments are attached to. The intervention must be the main influencer on those outcomes.
10. For SIBs to be most effective the timing of the intervention needs to be tailored to suit the needs of the project, rather than operate on financial years.
11. The contract management of SIBs needs to have an element of flexibility built into it to facilitate adaptation, while maintaining the principles that risk is borne by investors and providers. However, if the SIB is designed to capture the impact of an intervention through an impact evaluation, the degree of flexibility may need to be constrained so as not to undermine the results from the impact evaluation.
12. Not all practitioners support a strong outcomes focus approach. Service providers should carefully recruit practitioners for a SIB.
13. Communication between different parts of the SIB is crucial to ensure everyone understands the rationale for decisions, and how these affect other stakeholders.

The SIB effect

The SIB affected the service in myriad ways, leading to both positive and negative consequences. The strongest effects were that the SIB increased the focus on achieving outcomes, and enabled service providers to adapt and improve delivery over time. However, it also led to cherry picking and inefficiencies as there were high levels of duplicative performance management. Overall, there is not an overwhelming evidence base to conclude whether the SIB led to more outcomes being achieved.

The key question to consider, therefore, is whether the positives the SIB provided outweighed the negatives. The best way to answer this question is to explore stakeholders' overall views of the effectiveness of the SIB, and whether they would continue to be involved in them. For some, they were undecided. However, for most, the answer was positive: commissioners liked the SIB because it increased accountability and the focus on outcomes; service providers liked the SIB because, again, it increased the focus on outcomes and the input of investor performance management and ideas motivated them to adapt; investors liked the SIB because it aligned their social and financial interests. At the time of writing almost all stakeholders were either considering, or are actively involved, in future SIBs.

Conclusions, lessons learnt and recommendations

Below, we draw on the qualitative evidence from the Youth Engagement Fund Evaluation to consider the extent to which the four YEF objectives were achieved.

Objective 1: Delivering support to help young people aged 14-20 who are disadvantaged, or at risk of disadvantage, to enable them to participate and succeed in education and training, to improve their employability, reduce their likelihood of future offending and improve health and wellbeing

The qualitative evidence would suggest that this has been achieved for some of the young people. The YEF support was delivered effectively. The service providers ran effective services that were attractive to both schools and young people and filled a gap in local provision. However, as the impact evaluation was unable to proceed it is not possible to ascertain what would have been the case for the young people had they not received the support.

However, to a degree YEF can also be regarded as a missed opportunity:

- The rate card design meant that young people were, to an extent, cherry picked; whilst they were disadvantaged, they were not the most disadvantaged in the local areas concerned.
- The programme did not fund innovative provision. An argument frequently made for SIBs is that we have not yet solved some of our society's greatest challenges and therefore need to find new solutions – a SIB enables governments to experiment with new solutions at relatively low risk. This argument does not hold for YEF; all four SIBs funded interventions that were pre-established and had already been delivered in the local area. YEF scaled up pre-existing solutions to the NEET challenge, but it did not identify new solutions.
- Many of the challenges identified for YEF were also identified in the IF evaluation (such as not supporting the most disadvantaged young people; the need to provide longer-term support to ensure the more vulnerable young people achieved the outcomes; and the challenges of using binary outcomes). This suggests a stronger need to build on the lessons learnt from previous programmes.
- The YEF provision is generally regarded by stakeholders to have been effective. However, whilst small pockets of the provision has been sustained (through schools funding its continuation in their school), it has not overall been funded again.

Objective 2: Enabling schools, academies, local authorities, colleges and others to use their resources more effectively to support disadvantaged young people and reduce the number of young people who become NEET

YEF did enable a broad range of educational institutions to use their resources more effectively. It provided schools with a solution for the young people they were struggling to support; for some, this was a solution where there were no other alternatives and it filled a gap in provision; for others it offered a 'refreshing' alternative to the pre-established support they had lost faith in.

However, it needs to be borne in mind that the programme's evidence requirements placed an administrative burden on the educational institutions, and to a degree this diminishes the extent to which the programme enabled resources to be used effectively. Future SIB designs need to consider how the metrics will impact on the resources of other organisations.

Objective 3: Test the extent to which a Payment by Results approach involving social investors can drive improved outcomes for young people and generate benefit savings, as well as other wider fiscal and social benefits

If YEF is considered as a SIB test pilot, this aim was certainly achieved. As one of the first evaluations of a SIB programme, this study provided the opportunity to understand how the SIB impacts on service delivery. It has highlighted a wide range of lessons which can be applied to future SIBs.

Objective 4: Support the development of the social investment market, build the capacity of social sector organisations and contribute to the evidence base for SIBs

This was achieved. The involvement in the SIB, coupled with the support from the investors, developed the capacity of the VCSEs concerned to deliver future government contracts, including PbR and SIB contracts. Two of the service providers were involved in future SIBs, and others were applying to be involved.

Recommendations

For NEET prevention programmes:

- Future NEET prevention programmes could consider supporting young people in Year 9, to ensure the programmes intervene early enough
- Provide more holistic support, focusing on employers and parents as well as young people

For all SIBs:

- Consider 'distance travelled' payment triggers, or tying the amount of payment to baseline levels, when designing a rate card for supporting very disadvantaged beneficiaries
- Long-term SIBs with multiple outcomes in a rate card need to have a level of flexibility to account for the changing circumstances of the cohort
- Future SIBs that involve a local contribution for outcomes payments from local public bodies should avoid requiring that all local contributions be paid upfront
- For pilot SIB programmes consider offering peer learning opportunities to enable service providers to share lessons with each other
- Ensure the timescales of the SIB match the timescales of other local services (for example operating in academic rather than financial years)
- Ensure the contract management of SIBs is adequately resourced, and people responsible for managing each SIB have a thorough understanding of SIBs, including how they differ to more traditional contracting approaches, and how certain decisions might impact on SIB delivery
- Consider what implications the SIB design will have on other local organisations and the efficiency of service delivery
- Ensure the lessons learnt from previous programmes are captured as early as possible, and applied to future programmes

For NEET prevention SIBs:

- The outcome trigger should be 'one of [specified] positive post-16 destinations' rather than a specific destination
- Provide more time for high-level (i.e. level 3 qualifications or employment with training) post-16 destinations to be achieved, recognising that it may take time for disadvantaged young people to achieve these outcomes.

Chapter 1: Introduction

In March 2016 Ecorys UK was commissioned by the Office for Civil Society to evaluate the Youth Engagement Fund (YEF), a £16m Payment by Results (PbR)⁸ fund that aimed to help disadvantaged young people aged 14 to 20 to participate and succeed in education or training. The programme included four projects, each funded through a social impact bond (SIB).

In this chapter we introduce the evaluation, including explaining the aims of the programme, describing the four YEF projects, and introducing the evaluation aims and methodology.

1.1 Youth Engagement Fund⁹

On 30 April 2014, the then Deputy Prime Minister announced a new cross-government 'Youth Engagement Fund' (YEF or The Fund) of £16.04m over three years from 2014/15 to reduce the number of young people who become NEET (not in education, employment or training) using SIBs. The Fund aimed to support the most disadvantaged young people in society, including those already NEET, and those at risk of disadvantage in England. The programme aimed to support up to 18,000 young people in over 100 schools. It funded four projects. The programme was jointly funded by the Office for Civil Society (£10m), Department for Work and Pensions (DWP) (£5m) and Ministry of Justice (MoJ) (£1m). The Department for Education was also consulted during the design phase.

The programme had four objectives:

- **Objective 1:** Delivering support to help young people aged 14-20 who are disadvantaged, or at risk of disadvantage, to enable them to participate and succeed in education and training, to improve their employability, reduce their likelihood of future offending and improve health and wellbeing.
- **Objective 2:** Enabling schools, academies, local authorities, colleges and others to use their resources more effectively to support disadvantaged young people and reduce the number of young people who become NEET.
- **Objective 3:** Test the extent to which a PbR approach involving social investors¹⁰ can drive improved outcomes¹¹ for young people and generate benefit savings, as well as other wider fiscal and social benefits.
- **Objective 4:** Support the development of the social investment¹² market, build the capacity of social sector organisations and contribute to the evidence base for SIBs.

⁸ Payment by Results is the practice of paying providers for delivering public services based wholly or partly on the results that are achieved

⁹ Text adapted from the Youth Engagement Fund Provider Guidance, Version 12.

¹⁰ A social investor is an investor seeking social impact in addition to financial return. Social investors can be individuals, institutional investors, dedicated social investment funds and philanthropic foundations, who invest through their endowment. A list of UK social investors can be found on the Good Finance website

¹¹ An outcome is what changes for an individual as the result of a service or intervention. For example, improved learning in school, better mental health

¹² Social investment is the use of repayable finance to achieve a social as well as a financial return. According to Big Society Capital social investment requires both the investor and the user/investee to explicitly intend to create a positive social impact. For investors, social investment is part of the spectrum of impact investment

1.1.1 Background context

1.1.1.1 NEET in England

The acronym NEET was first coined in the United Kingdom to describe young people who are Not engaged in Education, Employment or Training¹³. This definition has since become a popular way to refer to youth who are struggling to successfully transition from school to work. The category encompasses not only unemployed young people who are actively looking for work, but also those who are economically inactive, who are not working, not seeking work and/or not available to start work¹⁴.

According to official figures¹⁵, 935,000 young people aged 16 to 24 years were NEET in England between January to March 2015, just before YEF launched. As Figure 1 illustrates, the NEET rate steadily declined during the period that YEF operated (April 2015 to March 2018), from 12.9% of the relevant population January to March 2015 to 11.5% January to March 2018.

Figure 1: People aged 16 to 24 years not in education, employment or training as a percentage of all people aged 16 to 24 years, seasonally adjusted

UK, January to March 2013 to January to March 2018



Source: Labour Force Survey, Office for National Statistics

¹³ Social Exclusion Unit (1999). Bridging the gap: New opportunities for 16–18 year olds not in education, employment or training.

¹⁴ Powell, A. (2018, March). NEET: Young People Not in Education, Employment or Training. House of Commons Library. Briefing Paper Number SN 06705.

¹⁵ <https://www.gov.uk/government/statistics/neet-statistics-quarterly-brief-october-to-december-2017>

Disengagement from employment, education and training, especially when lasting more than six months, is associated with several negative economic, psychosocial and health impacts. Becoming NEET affects physical and mental health through reductions in income, increased social exclusion, isolation and lack of social support, and increases participation in unhealthy behaviours such as drinking, smoking and substance use. There is evidence that the health implications of becoming NEET are particularly severe for young people coming from a disadvantaged background¹⁶.

Becoming NEET also imposes significant private and public financial costs. Research estimates that each young person NEET costs the Department for Work and Pensions (DWP) and HM Revenue and Customs (HMRC) £4,637 each year, through a combination of benefit payments (DWP) and foregone tax and national insurance receipts (HMRC).¹⁷

Risk factors of becoming NEET

The background characteristics associated with the risk of becoming NEET can be classified as educational, personal and structural:

- According to a study conducted by the Institute of Education (IoE) of the University of London¹⁸, the most significant **educational risk factor** is low educational attainment at GCSE, which could be due to lack of motivation, poor health (physical and mental) and having special educational needs. Poor school attainment and lack of qualifications represent major barriers for young people after the age of 16 to access further education, training or employment.
- Among the **personal risk factors** associated with young people's NEET status, the IoE report identified a lack of direction or aspirations after finishing school, health problems and special educational needs, caring responsibilities, and difficult family circumstances, such as being in the care system or experiencing a breakdown in relationship with parents. Parental unemployment, lower socioeconomic status, overcrowding and poor housing, low self-confidence and young parenthood all account for a higher risk of becoming NEET¹⁹.
- Aside from educational and personal difficulties, **structural risk factors** can notably increase the risk of becoming NEET. Within this category, the IoE study highlighted difficult labour market conditions, a lack of training and apprenticeship opportunities, and welfare support providing a higher income than potential wages.

¹⁶ Ibid.

¹⁷ ACEVO, 2012. Youth Unemployment: the crisis we cannot afford. Accessed via New Economy Unit Cost Database. Available at: <http://www.neweconomymanchester.com/our-work/research-evaluation-cost-benefit-analysis/cost-benefit-analysis/unit-cost-database>

¹⁸ Institute of Education. (2014, September). Report on students who are not in Education, Employment or Training (NEET). Department for Education.

¹⁹ Public Health England/UCL Institute of Health Equity (2014). Local action on health inequalities: Reducing the number of young people not in employment, education or training. Health Equity Evidence Review 3. UCL Institute of Health Equity.

1.1.1.2 Social impact bonds (SIBs)

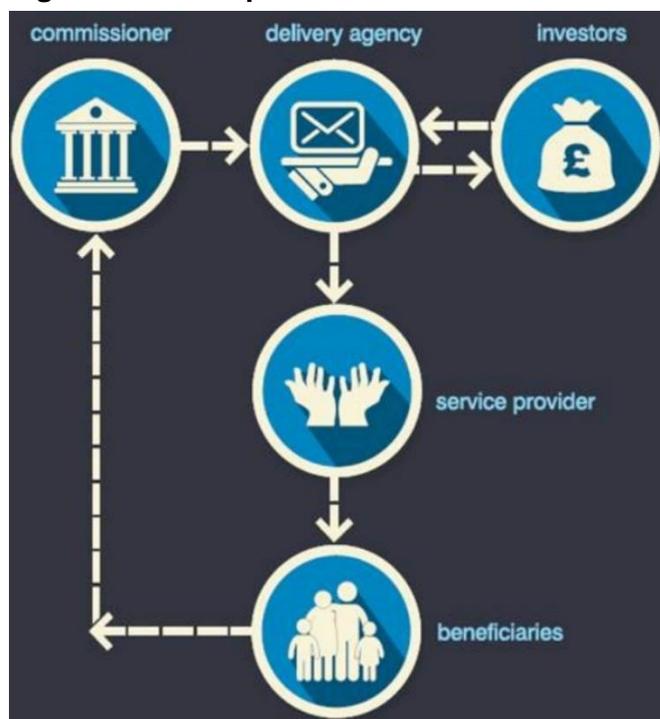
The YEF aimed to test the extent to which a PbR approach involving social investors and local financial contributions can drive improved educational and employment outcomes for the most disadvantaged young people in society. To achieve this aim the four projects were funded through social impact bonds.

A SIB is a type of PbR contract. Like other types of PbR, a commissioner²⁰ (usually one or more public sector bodies) agrees to pay for outcomes delivered by service providers²¹, and unless those outcomes are achieved, the commissioner does not pay.

Where a SIB differs from a PbR contract is that the service providers in the SIB model do not use their own money to fund their services until they get paid – instead, money is raised from so-called ‘social investors’²² who get a return if the outcomes are achieved.

There is no conclusive definition of a SIB, and multiple variants exist. A simplified SIB model is shown in **Figure 1.2**.

Figure 0.2: Example SIB Structure



²⁰ A commissioner is a public organisation or official responsible for commissioning public services. In SIBs they are the outcome payer and are typically a central or local government organisation.

²¹ A service provider is responsible for delivering the service to the beneficiaries and are often charities. They will work in collaboration with the commissioner and the investor to make the SIB work.

²² A social investor is an investor seeking social impact in addition to financial return. Social investors can be individuals, institutional investors, dedicated social investment funds and philanthropic foundations, who invest through their endowment.

1.1.2 Description of the Youth Engagement Fund programme design

1.1.2.1 *Contracting Authority*

DWP was the Contracting Authority, and managed and monitored project delivery. Stakeholders decided that DWP was the Department most suited to managing the programme, due to their substantial infrastructure and experience in managing government programmes.

1.1.2.2 *Cohort*

The programme was available for two sets of young people: those aged between 15 and 16 when the programme began (15-16 cohort), and those aged 16 and 17 when the programme began (16+ cohort). Projects could support young people up to three years, meaning some young people could be aged 20 when the programme ended.

DWP produced a set of Provider Guidance. This guidance stipulated that projects must support the most disadvantaged young people in society who are at risk of becoming long term NEET (rather than those who spend a short time NEET whilst in transition between other activities). The guidance included an eligibility criteria:

- Have a history of offending or who have been identified as being at a high risk of becoming an offender by their school or local Youth Offending Team
- Have left school or are likely to leave school with few or no qualifications
- Have behavioural or mental health issues
- Have high levels of absence from school
- Are in a gang
- Are teenage parents
- Have no fixed abode
- Are using or have used drugs
- Are looked after young people or are care leavers
- Have a learning difficulty and/or disability.

All four projects followed this criteria; one adapted these to meet specific local needs, such as high levels of mental health difficulties or teenage pregnancy.

In some projects the criteria was provided to the referring organisations, who determined who was eligible for the project; in other projects this was a joint discussion between the referring organisation and the project.

The projects had to state in their proposal how many young people they would support. Once they had engaged this number of young people the project was not able to support additional young people.

1.1.2.3 Rate card

In YEF, payments were made on a ‘rate card’ basis; that is, fixed payments were attached to a range of outcomes, and projects had the flexibility at the bidding stage to state the number of these different outcomes they expected to achieve. **Table 1.1** includes the original rate card for YEF at the time the programme was launched. In recognition of the fact that it could take some years to track the final employment outcomes for young people, the YEF paid for a series of ‘proxy’ intermediate outcome measures²³. The starting point for the rate card was the fiscal savings that could be generated by preventing a young person from becoming NEET – estimated to be £11,800 over three years. The cost for each different outcome in Table 1.1 was based on calculations of how closely aligned each factor was to the likelihood that a young person would become NEET; the stronger the outcome was to preventing someone from becoming NEET, the higher the payment. Each outcome could only be claimed once per participant. The total cost payable for a participant was capped at £11,800, as this was the total cost of out of work benefits to a young person over three years.

Table 1.1: Original YEF rate card

Outcome	Price
Participants aged 14 and 15 years	
Improved attitude to school or education	£400
Improved attendance at school	£1,400
Improved behaviour at school	£1,100
QCF accredited entry level qualifications (below GCSE)	£1,000
Participants aged 16+	
Improved attitude to school or education ²⁴	£400
QCF accredited entry level qualifications (below GCSE) with a literacy and numeracy focus	£1,000
First QCF level 1 qualification	£1,500
First QCF level 2 qualification	£3,900
First QCF level 3 training/vocational qualification	£2,700
Entry into first employment (16 hours per week or more) with a training element (e.g. an apprenticeship, or work-based learning)	£3,400
Entry into sustained employment (26 weeks)	£1,900

Source: YEF Evaluation Invitation to tender

The outcome payments were made predominantly by Central Government. Projects were also expected to source local contributions to cover up to 49% of the outcomes payments. Local contributors were required to supply all of the outcome payments upfront to DWP, who managed the payments to the service providers.

1.1.2.4 Special Purpose Vehicle (SPV)

Each SIB was managed through a Special Purpose Vehicle (SPV). A SPV is a legal entity that is created solely for a particular financial transaction or to fulfil specific objectives. In the context of YEF, the SPV held the contracts with all the different parties, and provided intermediary support, including monitoring the performance of the service provider.

²³ An outcome measure is the specific way the commissioner chooses to determine whether that outcome can be achieved. For example, a test score. Often this encompasses a single dimension of an outcome.

²⁴ At a later point this outcome was removed.

1.1.2.5 *Innovation Fund*

The Youth Engagement Fund built on the DWP Innovation Fund (IF). This was a three-year £30 million pilot programme, which funded 10 NEET-prevention programmes through SIBs from April 2012 to November 2015.

The following aspects were different between IF and YEF:

- IF supported young people aged 14-24; YEF supported young people aged 14-20.
- The outcomes in the rate card were broadly similar, but the amounts attached to different outcomes differed. Generally, in YEF lower amounts were attached to school-based outcomes (attitude, attendance and behaviour), and higher amounts attached to qualifications (with the exception of First Level 3 NQF qualification). In YEF payments attached to employment outcomes were also marginally lower.
- In IF projects were able to re-profile the balance between different outcomes, and increase the number of young people they were supporting; in YEF neither of these were possible.

Independent qualitative and quantitative evaluations of IF were undertaken.²⁵ Throughout the report comparisons are made between the findings from this evaluation, and the evaluations of IF.

1.2 The four YEF projects

The four projects funded through YEF all began in April 2015 and could claim outcomes up to September 2018. Three of the service providers had already been involved in the Innovation Fund, and the interventions delivered as part of YEF built on the IF interventions. The four projects were as follows:

- **Greater Manchester:** Teens and Toddlers (now Power2) delivered **Aim for More**, aiming to support up to 1,681 young people aged 14-15. The project operated in five local authorities: Bury, Rochdale, Stockport, Trafford and Wigan. The aim was for young people to acquire work experience in a nursery, mentoring a disadvantaged toddler, gain entry level qualifications in personal and social development and participate in classroom sessions during an 18 week programme. Following this, they received ongoing support towards their GCSEs, including group meetings, individualised tutoring, and careers coaching and sign-posting. The project secured funding from two grant funders, though there was no qualifying local contribution for the YEF. Three investors invested in the SIB: Bridges Fund Management, Impetus-PEF, and Esmee Fairburn Foundation. The SIB was managed through a SPV, which included intermediary support from Social Finance, a SIB advisor. Teens and Toddlers was also involved in the Innovation Fund.
- **Merseyside:** Career Connect delivered **Unlocking Potential**, aiming to support up to 4,040 young people. The project operated in five local authorities, all of whom were local contributors: Halton, St Helens, Sefton and Wirral Borough Councils and Liverpool City Council. The programme was typically 13 weeks long, during which a coach developed and implemented an individualised action plan with the young person, which could include resilience training, coaching, employability support, the completion of qualifications and sign-posting to other specialised provision. Bridges Fund Management invested in the SIB. The SIB was managed through an SPV, which included intermediary support from Triodos Bank. Career Connect was also involved in the Innovation Fund.

²⁵ Insite Research and Consulting, 2016. *Qualitative evaluation of the DWP Innovation Fund: Final report and* Salis et al, 2018. *Evaluation of the Innovation Fund pilot: Quantitative assessment of impact and social return on investment.* DWP.

- **London:** 12 Service providers delivered the **Youth Engagement Fund**, aiming to support up to 1,000 young people across 10 London boroughs. Activities included a range of tailored in and out of school activities supported through a personal career coach, including volunteering, skills and enrichment activities, group work, employment integration activities, youth applied positive psychology and work with the young person's family. The SIB was managed by Prevista, a private company training provider. Prevista offered a loan to the service providers to cover the upfront working capital – four service providers accepted the loan; the other eight ran the project as a PbR contract. This therefore means that an element of the project was a SIB (where Prevista provided social investment); whilst for the remainder of the project it was a PbR contract (as no social investment was used). Two local authorities provided local contributions: the London Boroughs of Waltham Forest and Croydon; the latter secured some of its contribution from the Croydon Partnership, a joint construction venture between Westfield and Hammerson, as part of its Community Plan. Prevista was also involved in the Innovation Fund.
- **Sheffield:** Sheffield Futures delivered **FutureShapers**, aiming to support up to 1,319 young people across Sheffield. The programme aimed to provide wrap-around support to young people through a personal mentor over an extended time-period, as well as group work, skills development, enrichment activities, work experience opportunities and spot purchasing of specialist support. The project received investment from four investors: Big Issue Invest; Key Fund; QBE Insurance and Montpellier Foundation. The project was managed by an SPV, which included intermediary support from Triodos Bank. Sheffield City Council provided a local contribution. Sheffield Futures was not involved in the Innovation Fund.

1.3 Evaluation methodology

The evaluation began with a refinement phase to test the feasibility of the proposed evaluation approach, in particular to test and refine the options for the impact evaluation. This included consultations with government departments, the four YEF projects and young people, and Theory of Change workshops with the four projects, in which local Theories of Change were developed (available in **Annex 1** Due to unforeseen complications with the data collected during the programme and changes in data sharing regulations an impact evaluation was not possible (please see further detail on p. 38, in Chapter 6.0 Conclusions, Lessons Learnt and Recommendations on Objective 2).

The method for the evaluation included:

- **Central Government stakeholder consultations:** Semi-structured interviews with four representatives from the relevant government departments, including those that were involved in the design and launch of the programme, those that oversaw its delivery and those with relevant policy responsibility.
- **Case study visits:** The evaluation team visited each of the four SIB projects at two time-points and reviewed key documents and interviewed representatives from all stakeholder groups. The list of the groups of stakeholders consulted is below; in brackets is the total number of stakeholders within each group that were consulted across all SIBs and waves:
 - ▶ Local authorities (where applicable this was those that had contributed to outcomes payments) (4)
 - ▶ SPV (12)
 - ▶ Investors (7)
 - ▶ Service providers, including interviews with CEOs, Finance Directors, project managers and administrators (17)
 - ▶ Focus groups and one-to-one interviews with service provider practitioners (43)
 - ▶ Referral organisations (usually schools) (8)
 - ▶ Focus groups with young people: (66)
 - ▶ Longitudinal one-to-one interviews with young people; some were still receiving support and for some support had ended. Where possible young people were re-interviewed 6-12 months following the end of their support (18).

The process evaluation had two phases:

- **Interim Phase** (July – September 2017), exploring set-up, engagement and delivery
- **Final Phase** (January – July 2018) exploring lessons learnt and sustainability.

All the activities listed above were undertaken during each phase.

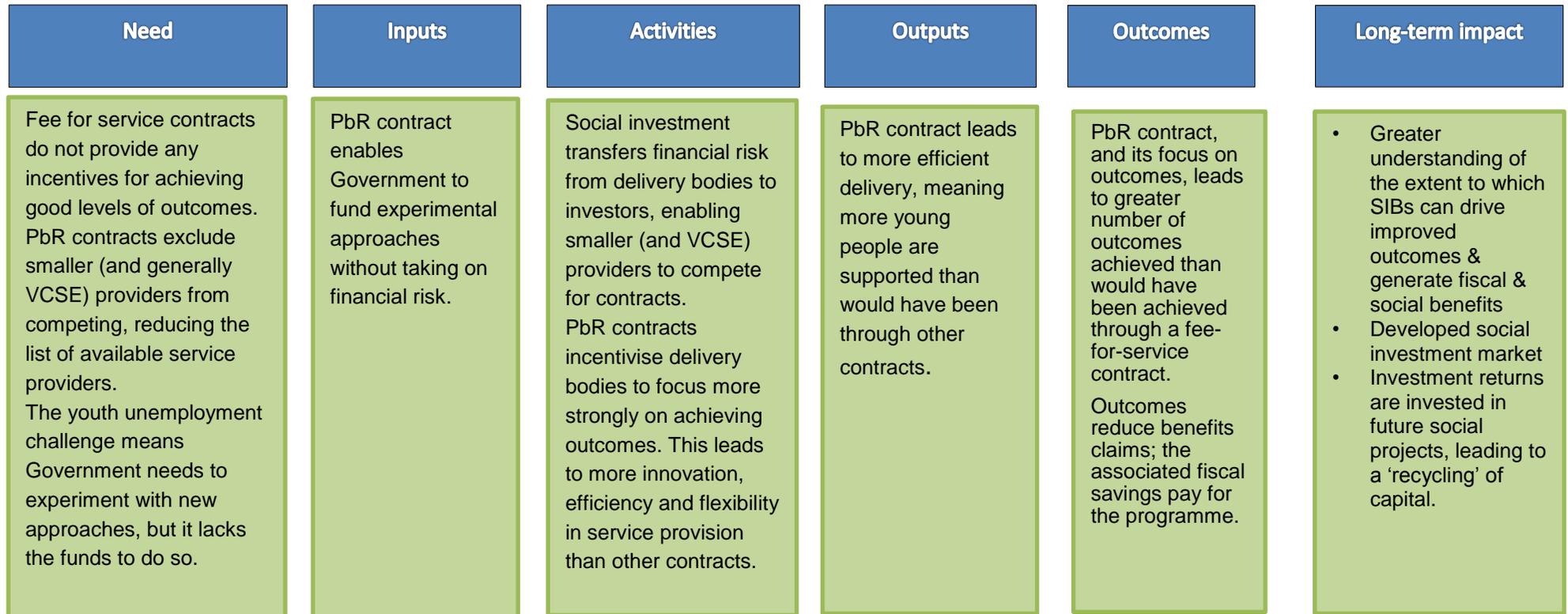
Furthermore, there was a final round of consultations with the projects December 2018 to March 2019 to gather final Management Information and reflections on the whole programme.

1.3.1.1 *Measuring the 'SIB effect'*

A key aim of the evaluation was to capture the 'SIB effect', i.e. how the SIB impacted on the delivery of the intervention.

During the evaluation refinement phase the evaluation team ran Theory of Change workshops with each of the four projects to understand how they anticipated the SIB could affect project delivery. This was combined with potential and observed 'SIB effects' identified in wider literature to create a SIB effect Theory of Change (see **Figure 1.3**; each project-level ToC is presented in Annex 1). During the case study visits the evaluation team examined the extent to which the effects presented in this ToC materialised.

Figure 1.3: SIB Theory of Change



External factors

Good SIB design, with incentives well aligned & commissioners having good understanding of education system

Good engagement from referring agencies

Potential negative consequences

Project displaces or duplicates other local provision; focus on cashflow & ability to act flexibly could negatively affect both relationships with partner agencies (e.g. pressure on partners to refer quicker) & quality (as things implemented too quickly); outcome metrics not accurately reflecting progress required to achieve the desired impact, resulting in: cashflow problems, as progress is achieved but not recognised or financially rewarded; lack of sustained impact, as support focuses on particular issues that are the most financially rewarded, but doesn't focus on other necessary changes not financially rewarded (e.g. wellbeing; parental outcomes); outcomes metrics result in focus on 'easiest to engage/reach/turn-around' young people and not the most disadvantaged young people; increased pressure to achieve outcomes affects staff morale and leads to higher levels of turnover; young people removed from lesson time to participate, affecting qualifications achieved.

1.4 Report structure

The remainder of the report is structured as follows:

- In **Chapter 2: Implementing the projects** we describe how the projects implemented the interventions, including success in generating referrals and engaging young people, and views on the range and quality of support.
- In **Chapter 3: Outcomes achieved by the projects** we describe the outcomes achieved by the projects, including the outcomes tied to outcome payments and other, secondary, outcomes.
- In **Chapter 4: View on design and monitoring of the social impact bond** we examine the SIB aspect of the programme, including the positives of the SIB design and areas for development and how the SIBs were monitored.
- In **Chapter 5: The SIB effect** we describe how the SIB impacted on the delivery of the intervention.
- In **Chapter 6: Conclusions, lessons learnt and recommendations** we draw on the qualitative evidence from the Youth Engagement Fund Evaluation to consider the extent to which the four YEF objectives were achieved.

Quotes made by stakeholders during the qualitative research have been included throughout. The quotes state which stakeholder group the person belonged to. For young people it also states which project they were a part of; we have not done this for other stakeholder groups to protect anonymity.

Throughout the report, where relevant, we highlight in boxes key lessons learnt and recommendations in delivering NEET-prevention programmes and SIBs. These boxes are colour-coded: red are for NEET prevention programmes; blue for all SIBs; and green for NEET prevention SIBs. We then draw these together in the Conclusions.

When a technical term is used a definition is footnoted. A list of all definitions and abbreviations can be found in the Glossary in Annex 2.

2.0 Chapter 2: Implementing the Projects

In this chapter we describe how the projects implemented the interventions, including success in generating referrals and engaging young people, and views on the range and quality of support. This chapter draws on the qualitative evidence collected during the case study visits.

2.1 Success in generating referrals and young people

2.1.1 Generating referrals

All four service providers primarily targeted schools to generate referrals for the 14-15 cohort. This was because they regarded this as the most cost-effective approach, as schools would be able to identify relatively large volumes of eligible young people. Most of the projects also took referrals from other organisations, such as special schools, Pupil Referral Units and Youth Offending Teams, but this was a small proportion of the cohort that engaged. The Innovation Fund Evaluation found that service providers in IF also targeted schools, for the same logistical reasons.

Referral routes for the 16+ cohort were more varied. Service providers worked closely with colleges, but also worked with training providers and youth services. Some did outreach work to engage this cohort.

In most instances the service providers worked with the relevant local authorities to identify the young people that met the eligibility criteria. They would then meet with the schools to refine the list further. Once the list of young people was agreed, someone (such as the head of year) in the school would usually approach the young person to suggest they attended the programme. If the young person was interested, they would subsequently meet with a representative from the service provider to find out more about the project. Parental consent was not necessary because, according to the Provider Guidance, “*on the basis of legal advice that young people aged 14-15 years are considered ‘sufficiently competent’ to give their informed consent.*” The exception to this was where a young person had a Statement of Special Educational Need or a learning disability.

This approach was very effective in enabling the projects to achieve their target number of young people starting the interventions. In most instances they also reached their target numbers in the timescales they expected, as they were able to capitalise on the relationships they had developed during the Innovation Fund; indeed, in comparing the findings from the YEF and IF evaluations one major difference seems to be the challenges the IF projects faced in initially engaging schools, which was not apparent in YEF. In one project the referrals were slower at the outset than anticipated, as they were unable to capitalise on any relationships from the Innovation Fund because they were not involved in this programme. This highlights a lesson learnt for new projects: that it may take some time for the project to ‘bed in’ and reach full volumes of participants

Lesson learnt: Recognise that it may take some time for the project to ‘bed in’ and reach full volumes of participants. Future programmes should avail themselves of a full implementation period to ensure mechanisms are in place for a project to get off to the best start

Most service providers found it highly effective to work with the relevant local authority to identify eligible young people and broker introductions with schools. In most cases these local authorities were the local contributors, who were engaged in supporting the projects because they had contributed financially. Service providers identified this as a key lesson learnt for future central government SIBs:

“One of the lessons from the Innovation Fund was to make sure that the LAs that we work with are more embedded in the programme and that they understood the issues.” (Service provider representative)

Lesson learnt: Using local contributors (i.e. local authorities contributing to part of the outcome payments) in SIBs commissioned by central government increases the engagement of local public bodies and ensures to a certain degree that the SIB is embedded within the local ecosystem

Lesson learnt: When SIBs are replicated they can operate more effectively, as service providers are able to build on relationships and lessons learnt from the previous SIB

The service providers also reported that referring organisations, particularly schools, mostly engaged strongly with the projects. Some schools referred large proportions of young people onto the programme, and one school interviewed stated they referred around 20% of one year group onto the project (though as we state later these were not always the most eligible young people). Projects also reported that referring organisations were very disappointed when they had reached the limits and could not refer any more young people onto the programme. In the box below we provide the reasons referring organisations gave during interviews for why they liked the project and referred young people.

Box 1: Reasons referring organisations referred young people to the projects

- Fills gap in provision: Very little support that is long-term, and supports young people across the Key Stage 3-4 transition
- Good combination of focus on educational progress, pastoral support and careers advice
- ‘Refreshing’ alternative to services provided by the local authority
- More intensive support than school would be able to provide.

2.1.2 Engaging young people

Young people were generally told about the YEF offer through school staff; their teachers, heads of year or learning mentors. Commonly, young people were told that the programme could offer them some extra support (for example, to help them through exam periods), or the chance to do something different to address some of the issues that they faced, compared to other support they had received either from the school or other services. Young people were generally given the choice of whether to participate or not, and for a number of those engaged in the research that choice was seen as important; they did not view the offer as something the school were doing to try to “punish” them in some way, and recognised that it gave them an element of control.

Generally, the young people interviewed recognised that they were struggling in some way before the intervention, and saw the programme as a way to address the issues that they were dealing with. As one noted, “*Before, I was stressing about everything, not confident. I thought it would help because confidence was my weak point.*” (Youth Engagement Fund, Prevista) Another thought that it would be good for them to have someone to talk to about sensitive issues, which they felt they could not talk to anybody else about.

For others, they saw the intervention as a chance to try something new; they described how at their first meetings for the project they recognised that the intervention was different to school. Some young people were also encouraged to participate by the fact that they could achieve a qualification through the programme that other young people would not have. Others thought that the programme would give them an opportunity to figure out what they would do after school or college. For example, one interviewee explained that she knew she did not want to go to university but did not know what her alternatives might be; she therefore engaged with YEF to find out more about apprenticeships.

Finally, a handful of young people admitted that they had engaged with the programme as a way to get out of mainstream classes. However, they found that when they started the intervention, they were benefitting from it and that it was more useful than anticipated.

2.1.3 Characteristics of young people

As stated earlier, most projects used a referral criterion to identify young people. The qualitative research with young people suggested that those involved with the programme did have behavioural issues in school, and poor attitudes to learning – one described herself as having “*a bad attitude, and always having to have the last say*” (Youth Engagement Fund, Prevista). A number of those interviewed acknowledged that they often had difficulty controlling their emotions and temper, describing themselves as stubborn, angry or stressed out. Others referred to struggles with traits such as a lack of organisation, punctuality and motivation. These needs were corroborated by organisations referring the young people.

The **Young person case study 1** below provides an example of a young person’s characteristics when they joined the programme.

Young person case study 1

The interviewee was at college when he engaged with the project, after he heard a mentor speaking about the project to young people who did not want to go to university. The mentor suggested that he might like to join the project to explore apprenticeships as an option; during the interview he explained that he liked the idea of an apprenticeship but had no idea how the process worked, so took up the mentor’s offer.

At the time of engaging, he was struggling with a number of issues including undiagnosed but suspected ADHD, mental health issues, friendship issues and family problems; his mum was a functioning alcoholic. He described how he felt “*very frustrated and trapped*”, and how he was finding it difficult to cope with the problems he was facing as well as college work. This meant he was not keeping up with his work and that “*coursework was getting on top of me*” - despite him being academically able to do it, he was struggling to focus.

As noted in the Introduction, the programme aim was to support the most disadvantaged young people in society. Whilst all the young people engaged were at risk of becoming NEET, the service providers and local authorities acknowledged that the young people were not the most disadvantaged in the area.

“Despite our best intentions that this programme would work with our most vulnerable kids, we had to accept early on that this programme wasn’t that – because we’d be forcing the provider to take on kids they couldn’t achieve outcomes with.” (Local authority representative. Comment made during case study visit)

The Service providers reported that this was primarily for two reasons, both linked to the rate card:

- **Outcome payments and total expected numbers not sufficient to cover costs of supporting the most disadvantaged young people:** As mentioned previously, the projects targeted schools to generate referrals. They acknowledged, however, that in doing so they were supporting a cohort that was still engaged with mainstream educational provision. In order to support the most disadvantaged young people they would have needed to work more closely with alternative providers, such as special schools and Pupil Referral Units. However, the service providers argued that this would have required a far more intensive approach, to both engage and support the young people concerned. They felt that the initial announcements from Central Government around the total number of young people the programme was going to support, coupled with the amount service providers could claim per outcome, inhibited their ability to adopt an intensive approach

“The model has been set up to target those in school or those in danger of leaving school. Another programme or SIB model may provide intensive support to [more vulnerable] young people but I’m not sure whether a SIB would have enough funding to get enough outcomes to make it financially worthwhile.” (Service provider representative, comment made during case study visit)

Whilst YEF has demonstrated that provision can be delivered with these costs, the costs cannot cover the delivery of support for very disadvantaged young people. This highlights a lesson learnt for SIB design:

Lesson learnt: When attaching costs to outcomes, commissioners should consider the cost of delivery for the target cohort (taking account of a range of needs including the most disadvantaged), as well as any possible cashable savings²⁶

²⁶ Cashable savings, or cashability, is the extent to which a change in an outcome or output (e.g. fewer children in care) will result in a reduction in spending, such that the expenditure released from that change can be reallocated elsewhere.

- **Some outcome triggers set too high:** All four projects argued that it was unrealistic to expect disadvantaged young people to achieve some of the outcome triggers. The most commonly cited outcome was attendance, in which young people had to achieve the school average in order to trigger a payment. This disincentivised the projects from supporting young people who were unlikely to achieve these outcomes. The Innovation Fund Evaluation found a similar challenge in relation to reaching the most disadvantaged young people. This is covered in more depth in Chapter 5: SIB Effect.

“We have a lot very poor attenders – to get to school average is unrealistic.” (Service provider practitioner. Comment made during practitioner focus group)

“For this programme – those with less than 20% attendance, the idea that you’re going to get them up to 90% attendance, it’s ridiculous...it’s a struggle...You can see some real successes in getting those onto part-time timetables, but they’re not going to be on attendance rate of the school average...We could do a lot for those young people, but not claim anything for them.” (Service provider representative. Comment made during case study visit)

To overcome this issue most service providers actively engaged a ‘blend’ of young people. They generally supported a small cohort of more disadvantaged young people and a wider set of young people that were less at risk of becoming NEET.

“I have seen case studies of young people who could not leave their bedroom and now come out and have communication. They have had progress on confidence and mental health but not so much paid outcomes. It is still impactful but for these cohorts the coach’s time is being subsidised by other parts of the project.” (Service provider representative, comment made during case study visit)

“It’s easier to help the kids who are closest to average.” (Investor. Comment made during case study visit)

In some cases this blend was serendipitous; in others the projects deliberately aimed for this blend in order to ensure they could support some of the most disadvantaged children whilst also ensuring they could achieve their outcome targets. There was, therefore, a degree of cherry picking²⁷.

This blending of different groups was enabled by the relatively loose eligibility criteria, which enabled projects to determine which young people were referred. This highlights another lesson learnt:

Lesson learnt: Eligibility criterion should be clearly defined to avoid cherry picking

²⁷ Cherry picking is a perverse incentive whereby providers, investors or intermediaries select beneficiaries that are more likely to achieve the expected outcomes and leave outside the cohort the most challenging cases.

Most stakeholders felt that this could have been avoided in one of two ways:

- **Providing ‘distance travelled’ payments for progress against the outcome, rather than a simple binary payment for achieving a single outcome:** For example, a payment could be made when a young person moves from below 25% to above 50% attendance, a further payment made when a young person moves from above 50% attendance to 85% attendance, and finally a payment made when a young person achieves the average attendance rate for the school. The same suggestion was made in the Innovation Fund Evaluation; or
- **Tying the amount of payment to the baseline²⁸ attendance level:** If a service provider is paid more for supporting a young person with a lower baseline attendance figure, they may be more incentivised to support more disadvantaged young people.

However, one needs to bear in mind that the first option listed above could create more demands on schools to provide evidence, and as mentioned elsewhere in the report the current evidence process did prove to be a burden for schools. However, it is unlikely that the second option would add more demands.

Recommendation: Consider either ‘distance travelled’ payment triggers, or tying the amount of payment to baseline levels, when designing a rate card for supporting very disadvantaged beneficiaries who are unlikely to achieve a challenging binary outcome²⁹

²⁸ A baseline is the state before the intervention, against which progress can be assessed or comparisons made. Baseline data is collected before a programme or policy is implemented to assess the before state. The availability of baseline data is important to document balance in pre-programme characteristics between treatment and comparison groups. Baseline data is required for some quasi-experimental designs.

²⁹ A binary outcome is a type of hard outcome that has only two states, either an outcome is achieved or it is not. For outcomes based contracts, they are used where it is deemed unacceptable for the public sector to pay for outcomes that include negative events.

2.2 Views on range and quality of support

2.2.1 Successful aspects of support

Referring organisations and young people were highly complimentary about the support the projects provided, with one school remarking they had *“nothing but praise”* for the support.

“It was such a breath of fresh air.” (School representative, comment made during case study visits)

This sentiment was echoed by a number of young people, who when asked to describe the intervention in one word during focus groups, used words such as *“amazing”* and *“brilliant”*.

The **coaching and mentoring** element was consistently singled out by stakeholders and young people alike as the most effective element of the intervention. The Innovation Fund Evaluation also found the one-to-one work with the coach/mentor to be the most valued element of the support.

In most cases, this involved weekly meetings between the young person and their mentor, who was a practitioner employed by the service provider. At the beginning of the support the young person would complete an assessment, and the young person and mentor would agree a set of goals to achieve during the support. The young person and mentor would meet on a weekly basis to discuss the young person’s progress towards these goals, and the mentor would offer guidance on how the goals could be achieved. The mentor provided a range of support, such as:

- helping the young person engage with school, such as reminding them to complete coursework, meet deadlines and picking them up to take to exams;
- emotional support;
- supporting them to overcome isolation; and
- referring into specialist services (e.g. counselling).

For the young people, the mentors were the initial hook for their engagement in the programme; as one interviewee described, they were able to talk to and relate to their mentor straight away. Stakeholders also recognised this, reporting that the mentors were able to build trusting relationships with the young people in a relatively short period of time (see Box 3 for examples of how this was achieved). They were able to develop an indepth understanding of the young people, and were effective in helping the young people understand their own strengths and areas to work on; in building their self-belief, and in focusing their attention on their future – what they wanted to achieve and how they might get there. Central to this was helping the young people recognise the importance of working hard in education in order to achieve these goals, but also supporting young people to arrive at solutions themselves.

“When you see your mentors, you write down what makes you angry, and your mentor helps you think of a solution and makes you feel better.” (Young person, FutureShapers, comment made during interview)

“The messages [mentors] deliver are more readily received, because you’re not part of an authoritative source.” (Service provider practitioner. Comment made during focus group)

“They were preparing them for what was coming [after school].” (School representative, comment made during case study visit)

Referring organisations also felt the mentoring was underpinned by a robust process of assessment, action planning, monitoring and regularly feeding back to referring organisations.

Box 3: Factors adopted by mentors/coaches that enabled them to build trusting relationships with young people

- Constructive and solution-focused approach
- Avoiding pre-judgements
- Believing in the young person
- Practical support (e.g. to access housing)
- Laid back but firm approach

Other factors that were singled out as being particularly effective were:

- **Broad range of interventions:** The additional interventions were good at complementing the mentoring/coaching, as they were both fun, aiding engagement, but also targeted at specific issues, such as self-esteem. Young people appreciated the opportunity presented by some of the projects to gain skills and experience in practical settings. This included things like:
 - ▶ group work on specific topics, such as group work with girls addressing low self-esteem;
 - ▶ experiential learning using games-based learning to support the development of personal and professional skills; and
 - ▶ organising football games with young people from different areas to build relationships.
- **Providing in-school support:** For young people based in school, this ensured the mentor/coach was available when the young person needed them. However, the young people involved in the research really appreciated the fact that the service provider was independent of the school. The majority emphasised the importance of the difference in approach and dynamic from normal schooling, particularly given that many of those engaged had not had positive experiences of school up to that point.
- **Support in post-16 provision:** Stakeholders felt that a lot of previous support focused on ensuring young people *entered* post-16 provision; however it did not necessarily focus on sustainability, and whether young people *remained* engaged with the provision. In contrast, stakeholders valued the YEF support because it supported young people up to aged 20, thereby ensuring young people's engagement in education, employment and training was sustained.

"It feels like we've been able to support young people - not just to get them into something, but to continue the support on it." (Service provider practitioner. Comment made during focus group)

- **Tailored support:** Not a 'one size fits all' approach, but instead adapting the package of provision the young person accessed based on their specific needs. Importantly, this tailoring was young people-led; participants were central to the process of goal-setting, and helping to set their own pathways through the support. Again, this was highly valued in the Innovation Fund.

"It was about me and what I wanted to get out of it." (Young person, Unlocking Potential. Comment made in interview)

During the focus groups with young people, participants carried out an exercise to create a poster which would 'sell' the intervention to other young people. They were asked to include aspects of the provision that they thought had been particularly useful or engaging themselves. **Figure 2.1** below shows an example of a poster created by a group of participants from Aim for More, highlighting positive views of both the practical and emotional aspects of the provision.

Figure 2.1: Poster designed by young people during focus group describing their views of one of the projects



2.2.2 Areas for development

Although the support was broadly regarded as being a success, there were areas for development. Some of these were highlighted by stakeholders during the case study visits, and some are based on the evaluation team's observations:

- **Challenges in supporting the 16+ cohort:** The service providers found it more challenging to engage and support the 16+ cohort. In comparison to the 14-15 cohort, young people in the 16+ cohort were more dispersed across a range of institutions or, if NEET or in work, not in an institution at all. Equally, Further Education (FE) institutions did not have the same centralised structure as schools, making it more complex for the mentor/coach to interact with and operate in the institution. Mentors/coaches also reported that it was harder to keep the 16+ cohort engaged in the provision. It is the evaluation team's view that some of the projects primarily focused on developing a school-based intervention, and then struggled when trying to apply this model to the 16+ cohort. A lesson learnt for the service providers was that support for the 14-15 and 16+ cohorts has to be designed in very different ways.

Lesson learnt: NEET-prevention support needs to be designed differently if supporting young people aged 14 to 15, or 16+, recognising that young people aged 14 to 15 will be based in schools whilst those aged 16+ are likely to be dispersed across a wider set of institutions (if at all) and may be harder to contact and engage

- **Support did not consider wider factors that affect NEET status:** The projects (and outcome metrics³⁰) appear to be built on the assumption that the young person's qualifications and engagement in education are the only factors that determine whether a young person becomes NEET, and therefore this should be almost the sole focus of the support. As the Introduction highlighted, these are important factors that contribute to the likelihood that a young person will become NEET (see Section 1.1.1.1: Risk factors of becoming NEET). However, the Introduction also highlighted additional factors, such as family circumstances and structural risk factors. The projects paid limited focus to external factors that might also impact on NEET rates, such as the quality of the local employment market, and the influence of parents and the wider family on young people's attitudes and achievements. Towards the end of the projects, the service providers reflected that they should have done more work to engage employers, and encourage them to provide more apprenticeships and/or be more open to recruiting more disadvantaged young people. In project applications and in their initial Theories of Change some highlighted the importance of also raising parental aspirations, but this was a very small focus for some projects, and for others was not a focus at all.

Recommendation: Provide more holistic support, focusing on support that addresses the wider and more structural factors that contribute to NEET prevalence and on employers and parents as well as young people

³⁰ An outcome metric (or target or trigger) is the specific value attached to the measure of for the purposes of determining whether satisfactory performance has been achieved. eg. a test score of 95 out of 100 or improvement of 30 points in a test score over a 5 month period. Under a PbR contract or SIB, these metrics will usually determine whether a payment is made to the provider or investor.

- **Age range should be broader:** Some stakeholders felt the support would be more effective if it supported a wider age range of young people, focusing both on a younger (i.e. young people in Year 9 at school) and older (i.e. 18 at the beginning of the project) cohort. Stakeholders felt it was taking longer than anticipated to achieve some of the outcomes (see Section 3.1.2: Outcomes that the projects struggled to achieve), and that being able to support young people up to aged 18 would lead to more outcomes being achieved. Schools in particular felt the support would be more effective if it worked with a younger age cohort, as they thought that behaviour issues began to worsen in Year 9, and some of these attitudes and behaviours were already entrenched when the support began in Year 10, making it harder to tackle. DWP and DfE both considered broadening the age range to include young people in Year 9; however they felt it would be difficult to attribute any changes in NEET rates to provision provided in Year 9 due to the time lag between intervention and reduced NEET outcome. However, given the level of feedback in relation to the age range we would recommend that this is reconsidered for future programmes.

Recommendation: Future NEET prevention programmes could consider supporting young people in Year 9 to ensure the programmes intervene early enough

2.2.3 Conclusions

Overall the interventions delivered through the Youth Engagement Fund appear to have been implemented successfully. The service providers ran a set of services that were attractive to referring organisations and young people alike, and were effective in engaging young people. In particular, the quality of the coaching/mentoring appears to have been the most valued element of the support, coupled with a set of complementary programmes that young people could be signposted into in order to tackle specific issues in a tailored manner.

However, there were limitations to the support. The providers did not necessarily support the most disadvantaged young people in the area, and focused primarily on supporting young people rather than also considering the wider factors that affect whether young people become NEET. To a degree both of these limitations were influenced by the design of elements of the programme, as we cover in more depth in Chapters 4 and 5.

We consider the extent to which these interventions achieved their intended outcomes in the following chapter.

3.0 Chapter 3: Outcomes Achieved by Projects

In this chapter we describe the outcomes achieved by the projects, including the outcomes tied to outcome payments and other, secondary, outcomes.

This chapter draws on the data provided by the four projects on claimed outcomes and qualitative interviews with young people during the case study visits.

3.1 Progress against primary outcomes³¹

Table 3.1 below sets out the information supplied by projects on the outcomes achieved. The projects claimed outcomes for 8,039 young people (1,878 per project, ranging from 459 to 4,040).³² These young people achieved a total of 23,175 outcomes (average of 3 outcomes per young person). Below the table we provide examples from the young people research where these outcomes were achieved. Beneath this we explain why some of the projections were not achieved.

³¹ In a SIB the primary outcome is the most important outcome in the contract, the one that the commissioner most wants to see positively impacted.

³² There was a cap on the number of young people projects could claim outcomes for, based on the number they committed to supporting at proposal stage. Some projects supported more young people, and achieved more outcomes, than they claimed outcomes for. However as we do not have this information consistently across the projects we only include here information on claimed young people and outcomes.

Table 3.1: Primary outcomes achieved by projects, self-reported by providers

Primary outcomes achieved by projects ³³									
	Project 1		Project 2		Project 3		Project 4		Total
	Projected	Achieved	Projected	Projected at August 2018 ³⁴	Projected	Achieved	Projected	Achieved	
No. of young people supported	1,680	1,680	4040	4,040	1000	1,000	1319	1,319	8,039
Participants aged 14 and 15 years									
Improved attitude to school or education	935	935	1462	1,462	392	392	792	792	2,789
Improved attendance at school	112	57	201	190	230	230	172	172	649
Improved behaviour at school	870	870	1661	1,661	330	330	730	730	3,591
QCF accredited entry level qualifications (below GCSE)	1,267	1,267	1545	1,545	215	190	600	600	3,602
Participants aged 16 and 17 years									
Improved attitude to school or education ³⁵	0	0	700	700	413	382	170	112	1,082
QCF accredited entry level qualifications (below GCSE) with a literacy and numeracy focus	0	0	56	56	234	233	10	10	299
First QCF level 1 qualification	408	408	422	422	362	361	829	829	2,020
First QCF level 2 qualification	187	181	108	108	198	198	357	322	809

³³ RAG rating: Green = projected outcomes achieved; Amber = outcomes achieved within 10% of projection; Red = less than 10% of outcomes achieved

³⁴ This project provided revised projections for project end at August 2018 (i.e. one month before project end), but did not provide actual project end figures

³⁵ This outcome was removed part-way through the programme as it was not the policy intention to focus on improved attitude to school or education for the 16+ cohort

Primary outcomes achieved by projects ³³									
First QCF level 3 training/vocational qualification	0	0	61	61	0	0	86	40	101
Entry into first employment (16 hours per week or more) with a training element (e.g. an apprenticeship, or work-based learning)	0	0	108	108	208	130	257	244	482
Entry into sustained employment (26 weeks)	0	0	69	69	101	51	145	145	265
Total	3,779	3,718	6,393	6,382	2,683	2,497	4,148	3,092	1,5689

3.1.1 Examples of outcomes being achieved from the young people research

The young people who participated in the focus groups and depth interviews described progress against a range of outcomes, including those which form the rate card. These are described in further detail below.

3.1.1.1 *Attitude to education*

Many of the young people involved in the research were clear about the difference the programme had made to their attitudes to education. In some cases, this was due to support from the mentor emphasising the importance of education and the impact it could have on their future. For example, one young person stated that they did not care about school before they engaged with YEF and could not wait to leave. However, they described how they learnt that *“not caring about school was the worst thing I can do – I need to get good grades, otherwise I can’t get a good job.”* (Young person, FutureShapers. Comment made during case study visit)

For others, their attitude in lessons changed because they had been able to work on issues outside the classroom that were impacting on their education. As one young person noted:

“When I first went on that programme I wasn’t confident at all. I didn’t like going out of the house. But when I went on the programme and started experiencing different things and meeting different people. I started feeling more comfortable. I changed in school - started asking questions, putting my hand up, putting my views across. It boosted me up.” (Young person, FutureShapers. Comment made during case study visit)

3.1.1.2 *Behaviour*

Young people involved in the research spoke extensively about how the projects had impacted on their behaviour, to the extent that a number of them were able to describe tangible changes such as a reduction in the number of behaviour points they had received in school.

“Before I came into [the project], I had 170 behaviour points, now I have 55.” (Young person, FutureShapers. Comment made during case study visit)

Young people primarily attributed these changes to the support from their mentor; firstly, because the mentors (and other project activities) had helped them to realise the consequences of poor behaviour, and secondly, because they had been supported to find techniques to manage negative emotions. A number of young people talked about how the project had helped them to manage anger and their reactions to provocation or negative situations, such as bullying; one participant talked about how they had attended an anger management course as a result of the project’s intervention.

“Rather than saying, ‘I’m going to do this to annoy them’, I think about other ways around it. I look forward to and enjoy school more than before.” (Young person, Unlocking Potential. Comment made during case study visit)

“It’s made me realise that I need to behave better for the teachers. When the kids at the nursery are playing up, it makes me put myself in my teachers’ shoes and imagine how they must feel when I do it.” (Young person, Aim for More. Comment made during case study visit)

Figure 3.1 shows an example of an exercise completed in small groups during the case study visits, where young people were asked to describe their behaviour and personal traits before participating in the intervention, and after. The examples given were typical of those across the cohort involved, with improved attitudes and behaviours at the core.

Figure 3.1: Exercise completed by young people during focus group demonstrating the impact of the intervention



The **Young person case study 2** overleaf provides an example of a young person interviewed whose attitude and behaviour improved as a result of engaging with the programme.

Young person case study 2

The interviewee engaged with the project in Year 10. She was reportedly academically able, but was not achieving her potential due to being disengaged and disinterested in the classroom. She described herself as having a bad attitude towards her teachers and being demotivated to complete work, although could not explain why she felt that way.

"I had no motivation to come to school and do the work. My attendance was really low and I made no effort."

Her teacher approached her to offer a place on YEF, which she took up as she thought it would be good to try something different to normal lessons.

She had thoroughly enjoyed participating in the project and had worked enthusiastically as part of the group. She described herself as being nervous about the placement aspect of the project, but once she settled into it she had enjoyed it.

The young person had made significant improvements in her time with the project. She was very self-aware and reflected on the fact that she now understood how her parents and teachers must feel when she behaved badly; she felt that her behaviour and attitude had significantly improved.

She also felt that her confidence and self-belief had improved, along with her ability to communicate better with adults and strangers, not least as a result of being pushed out of her comfort zone with the project's activities; *"it gives you a different perspective; it grows you up, gives you responsibility and made me less selfish."* This was reflected in her actions; during her time with the project, she had started to volunteer to help Year 7 pupils with their reading, and had developed plans for her future including an aspiration to study Law. A follow up interview with the young person almost a year later found that she was still volunteering and had secured a college place. She was also firming up plans to participate in Camp America when she was old enough. She continued to attribute the changes in her attitude to the project, and spoke very highly of her time with the programme, describing it as *"amazing"*.

3.1.1.3 Attendance

There was anecdotal evidence from the young people involved in the research that attendance had been positively impacted by the programme; at least in one instance this was because the young person did not want to miss the YEF sessions. For others, the change in their attendance was a result of a better understanding of the importance of education and raised aspirations. Young person case study 2 above provides an example of where a young person's attendance improved following their engagement in the programme. As one young person described:

"My attendance has become better. I have really knuckled down and become so much smarter." (Young person, Aim for More. Comment made during interview)

3.1.1.4 Qualifications

As noted, the qualitative case studies suggest that young people's focus on attainment and desire to achieve good grades was positively influenced by the programme. This may bode well for the attainment of qualifications in the longer term for those engaged in the programme, and indeed one project includes a Level 1 qualification (with anecdotally high attainment levels) as part of its core offer. For some young people the support of their mentor had been specifically focused on GCSE exam success and strategies to cope with exam pressure, with great success for one interviewee from FutureShapers: *"She talked me through tips and tricks...I started liking the exams. They were getting easier and I felt I could do this."* Another attributed their attainment of their predicted GCSE grades to the support of their mentor:

"It helped me, kept me more focussed, I didn't let teachers get to me as much as before. It helped me to achieve predicted grades and if I didn't have her I probably wouldn't have." (Young person, Youth Engagement Fund, Prevista. Comment made during case study visit)

3.1.1.5 Employment

The research with young people highlighted improved aspirations amongst the cohort, both for their education and their future employment prospects.

"I want to know what I am doing next, learn how to write a cv, deal with situations without getting angry and get better communication skills, organisation, more prepared for interviews, more focus." (Young person, Unlocking Potential. Comment made during case study visit)

The qualitative research was less explicit in demonstrating the attainment of employment itself, although some young people did indicate that they had secured apprenticeships, while others had improved their understanding of apprenticeships as an option for the future. This was a common theme; participants in one focus group talked about how they were now considering new options for their future, such as entering a career in construction (or indeed, moving on to further education). Another participant noted that they had found a part time job to support them while they were in further education.

3.1.2 Outcomes that projects struggled to achieve

The claimed outcomes suggest that there were a number of outcomes in particular that the projects struggled to achieve. The evaluation evidence suggests that this can be linked in part to the inaccuracy of the initial projections set by the projects, rather than their ability to make effective progress in supporting young people into education, employment and training. A general lesson learnt for most stakeholders was that they were too optimistic in what the interventions would achieve; this is perhaps surprising considering that three projects were replicating provision from a previous SIB (Innovation Fund).

"Everyone's very optimistic in the design scenario...Going forward I would focus more on the projections." (Investor representative. Comment made during case study visits)

Lesson learnt: SIB projections can be prone to optimism bias, and should be rigorously tested and challenged.

We explain why each of these projections were not achieved below.

3.1.2.1 *Attendance*

As has been reported in the previous chapter, stakeholders were of the view that the single trigger to release the attendance payment was too ambitious for a cohort of disadvantaged young people. The qualitative research suggests that the projects that made more progress against this metric were those that did more cherry picking to identify the young people within their cohort who were more likely to achieve this outcome.

3.1.2.2 *Level 2 qualifications*

The reasons the projects gave for underachieving on this outcome were twofold. First, one project did not stipulate to referring organisations any specific requirements for the cohort beyond the referral criteria (such as, for example, any split of ages within the 14-20 band). Consequently, they did not receive enough referrals of young people in Year 11 who would be sitting their GCSEs to hit their projections. This highlights a lesson learnt for service providers involved in future SIB-funded projects:

Lesson learnt: When outcome numbers are set and there is no room for flexibility, service providers need to be able to ensure the profile of beneficiaries matches the outcomes they are trying to achieve (whilst avoiding cherry picking).

The second reason provided was that the intervention can only have a small impact on Level 2 qualifications; the largest influencer on Level 2 results are schools, as they spend substantially more time working with young people on educational progress than the projects. Therefore, the projects argued that their success against this metric was reliant on the effectiveness of the schools, and was to a degree beyond their control – though some of the young people interviewed did believe that the project had contributed to their GCSE attainment. In some of the projects not as many young people achieved Level 2 qualifications as they hoped. This highlights another lesson learnt in designing SIB rate cards:

Lesson learnt: There must be a strong link between the intervention provided by the service provider and the outcomes that payments are attached to. The intervention must be the main influencer on those outcomes.

This then affected these projects' ability to achieve outcomes for their 16+ cohort. One project in particular had assumed a certain number of young people would achieve Level 2 qualifications, and then move on to Level 3 qualifications or into employment with training, therefore enabling them to claim a number of outcomes for these young people. As these young people did not achieve a Level 2 qualification at the end of Year 11, projects reported that they generally moved on to study a Level 1 or 2 qualification in further education, rather than a Level 3 qualification or employment with training. The project could therefore not claim for their Level 3 or employment outcomes, and were therefore negatively affected twice by the low performance in Year 11. This highlights some of the challenges with funding long-term provision under a SIB, which we discuss further in the following chapter.

Interestingly the projects' final achievements against Level 2 qualifications were better than they were anticipating six months prior to the end of the project.

3.1.2.3 All 16+ outcomes

One could infer from Table 3.1 that two of the projects under-achieved in their ability to support young people to progress into positive destinations post-16, and therefore that they ultimately failed in their aim of preventing young people from becoming NEET. The evidence available would suggest that this would be an incorrect interpretation. The projects, corroborated by referring organisations, reported that most of the young people they supported did move into a positive destination post-16. However, they did not necessarily move into the specific positive destination the project predicted at the outset – as described in the Introduction, when bidding the projects needed to state how many of each of the outcomes they would achieve in the rate card, and there was little flexibility in changing these. This means that, for example, a project may have assumed that 50 people would take up an apprenticeship, but actually 25 took up an apprenticeship, while the other 25 took up a course at a FE institution. However, because projects had to specify which post-16 destinations the cohort would progress to, if they got the proportions wrong they were unable to claim outcomes, even if the young people did move into positive post-16 destinations.

It is necessary to highlight that due to issues with accessing the programme Management Information the evaluation did not have quantitative data on the destinations of the 16+ cohort. The evaluation has assumed that the projects' assertions that most young people did move onto positive post-16 destinations are correct.

The projects argued that the level of specificity noted in terms of destinations belied the complexity and unpredictability of the cohort they were supporting. They argued it was impossible to accurately predict at the outset of a three-year programme exactly how many young people would move into specific post-16 destinations, as young people would frequently change their mind and other circumstances would change. The projects' financial success would therefore depend on the accuracy of their first 'guess' rather than on their actual success.

"We can't chop lives into convenient contractual chunks depending on how DWP want to spend their money." (Service provider representative. Comment made during case study visit)

We have a number of recommendations to overcome this challenge, summarised below and detailed further in 'Conclusions, Lessons Learnt and Recommendations'.

Recommendation: Long-term SIBs with multiple outcomes in a rate card need to have a level of flexibility to account for the changing circumstances of the cohort

Recommendation: In NEET prevention SIBs the outcome trigger should be 'one of [specified] positive post 16 destinations' rather than a specific destination

Additionally, projects also reported that, as described earlier, many of the young people were progressing onto Level 1 or Level 2 qualifications post-16, rather than Level 3 or into employment with training. The projects were confident the young people would eventually achieve a Level 3 qualification or employment with training, but not in the timescales available within the programme.

"There's a mismatch with the age, because the employment happens later...Those targets were wrong because they come at a later age than the young people we're working with." (Service provider practitioner. Comment made during focus group)

The Innovation Fund Evaluation also found there would be benefit in programmes of this nature running for longer, to enable longer-term support to ensure the more vulnerable young people achieved the outcomes.

Recommendation: Provide more time for high-level (i.e. level 3 qualifications or employment with training) post-16 destinations to be achieved, recognising that it may take time for disadvantaged young people to achieve these outcomes

These arguments may explain to some degree why these projections were not fully achieved in some projects. However, it needs to be borne in mind that the projects also struggled to deliver the intervention to the 16+ cohort as effectively as they did for the 14-15 cohort; it is likely that this affected their ability to achieve outcomes with this cohort, and therefore possible that, had the intervention been delivered more effectively for the 16+ cohort, more outcomes would have been achieved.

Entering and sustaining employment with training

As well as this broad challenge in achieving all post-16 destination outcomes, the projects struggled with engaging young people in employment with training in particular.

Some of the service providers were experienced in supporting young people into employment without training prior to YEF. However, because of the raising of the participation age this option was no longer viable. The projects felt that the most viable approach was supporting young people to access apprenticeships. Many of the service providers had limited experience in pursuing this route.

The projects found this to be substantially more challenging than they anticipated. The primary reason the projects gave for not achieving this outcome was that there were fewer apprenticeship opportunities available than they were anticipating. Consequently, employers were selecting young people with a greater set of qualifications than the young people engaged on the programme.

“For some employers it’s unrealistic for them to expect there to be a large number of young people [from this cohort] with the qualifications they’re seeking.” (Service provider practitioner. Comment made during focus group)

Projects also reported that employers preferred offering apprenticeships to young people aged 18, rather than 16-17, reinforcing the point above that more of these outcomes could have been achieved if the projects had longer to support young people.

“Because apprenticeships are open to every age employers don’t necessarily want a 16 year old.” (Service provider practitioner. Comment made during focus group)

However, it should also be noted that some projects did achieve their projections around supporting young people into employment. These projects found that an effective approach was engaging and supporting employers to take on a more vulnerable set of young people.

Lesson learnt: An effective approach to supporting disadvantaged young people into employment is to engage and support employers to take on a more vulnerable set of young people

3.2 Progress against secondary outcomes³⁶

Each project defined their own secondary outcomes during the refinement phase of the evaluation, when working with the research team to devise their Theories of Change (see **Annex 1**). As **Table 3.2** shows, the secondary outcomes developed varied, perhaps reflecting the varied nature of the projects.

Table 3.2: Secondary outcomes as defined in project-level Theories of Change

Project 1	Project 2	Project 3	Project 4
Progression into further / higher education	Other FE / HE participation	Reduced teenage pregnancy	Greater emotional wellbeing
	Reduced offending and risk-taking behaviour	Better management of risky behaviours	Reduced risky behaviour
	Improved family relationships and more stable home environments	Improved social interaction	Project contributes to school development (e.g. school development plans)
	Greater overall achievement rates for schools		
	Reduced fixed term / permanent exclusions		

We were not aware that these secondary outcomes were being routinely measured in the projects. Some of these outcomes were not covered in the research with young people; for example, interviewees and focus group participants did not talk explicitly about risky behaviours. However, there were indications that attitudes towards risky behaviours had improved. For example, young people engaged in one project talked about how they had changed their views on becoming young parents and could see value in ensuring that they had achieved some stability in their own lives first. Young people also talked extensively about maturity and resilience, both of which are traits which bode well for better decision-making around risky behaviours.

“I’ve made a lot of progress in myself. I’ve matured, have a different perspective. I’m working now at [supermarket], have self-belief and am getting things done... me as a person, I’ve bettered myself. I’m a lot more independent.” (Young person, Youth Engagement Fund, Prevista)

Similarly, a high number of young people talked about having more self-confidence and were also more reflective and aware of their own strengths and areas for improvement. The young people involved demonstrated improvements in their mental health and emotional wellbeing, primarily through having someone non-judgemental to talk to, but also as a result of being able to better manage their emotions. Though not a stated aim of the project, young people involved in one project also talked about how they had improved their physical health following work with their mentor on wellbeing, exploring the benefits of lifestyle choices such as sleeping properly, not having fizzy drinks and having a proper breakfast. Young people who had taken up this advice commented on it giving them more energy through the day and making them better able to concentrate at school.

³⁶ After the primary outcomes (the most important) the secondary outcomes are the other important outcomes that the commissioner wishes to see improved. They may capture different dimension of the programme or reinforce the primary outcome.

Improved social interaction and relationships were also a common theme in the research. Interviewees frequently talked about how they were much better at communication, particularly when in situations with strangers; as one young person from FutureShapers noted, “*Now I can talk to someone even though I don’t know them*”. Others found that their improved management of their behaviour and emotions had impacted positively on their relationships with their parents. Finally, a number of participants noted that being involved with the project had extended their friendship groups.

3.3 Conclusion

Overall, the projects and referring organisations were pleased with the outcomes achieved by the interventions. Anecdotal reports from the projects, and the qualitative evaluation research, highlight how the projects have helped young people build their self-awareness, self-control, motivation and self-belief. The support also helped them think through their options post-16. This was boosting their attitude to education, improving their behaviour and attendance. Young people were then progressing into positive post-16 destinations, though not necessarily the ones the projects predicted at the outset.

According to the projects, their progress against the SIB primary outcomes did not necessarily reflect the full achievements of the projects, because of some quirks in the SIB design. If this is correct this chapter has highlighted some lessons learnt in designing rate cards for complex, long-term interventions, such as the need to be sure the intervention is the main influencer on the primary outcomes, and the need for flexibility. We discuss the SIB design, and further lessons, in the following chapter.

4.0 Chapter 4: View on Design and Monitoring of the Social Impact Bond

In this chapter we examine stakeholders' views on the social impact bond (SIB) design and monitoring, including the positives of the SIB design and areas for development, and how the SIBs were monitored. This chapter draws on qualitative research with both the projects and Central Government stakeholders.

4.1 Recap on SIB model

The Introduction described the SIB model (see [Social impact bonds \(SIBs\)](#)). As a reminder to the reader, the key elements were:

- Two cohorts of young people (14-15 and 16+), with eligibility criteria. The projects had to state in their proposal how many young people they would support; once they had engaged this number of young people the project was not able to support additional young people. Furthermore, projects had to state how many of each outcome they were going to achieve and could not claim more than this (referred to later as an outcome cap).
- Payments were made on a 'rate card' basis; that is, fixed payments were attached to a range of outcomes. Each outcome could only be claimed once per participant. The total cost payable for a participant was capped at £11,800, as this was the total cost of out-of-work benefits to a young person over three years.
- The outcome payments were made predominantly by Central Government. Projects were also expected to source local contributions to cover up to 49% of the outcomes payments. Local contributors were required to supply all of the outcome payments upfront to DWP
- Each SIB was managed through a Special Purpose Vehicle (SPV). The SPV held the contracts with all the different parties, and provided intermediary support, including monitoring the performance of the service provider.
- In three of the SIBs all of the upfront working capital was supplied by social investors. In one of the SIBs the service providers were given the choice of accessing social investment, or funding the working capital themselves (and thereby operating on a Payment by Results (PbR) basis).

4.2 Positive elements of the SIB design

Overall, the investors and service providers were pleased with how the SIBs had been designed, mainly in terms of the rate card. Service providers were willing to deliver the interventions, and investors were willing to invest in them, because the outcomes looked achievable and aligned with their respective missions. Furthermore, in three out of four of the SIBs local authorities provided local contributions to the outcome payments because they felt the outcomes within the SIB rate card would have a positive effect in their local areas.

In particular, stakeholders highlighted the positive effect of including **local contributors** in the SIB model. Firstly, as has been referenced earlier (see [Generating referrals](#)), asking for local contributors increased the engagement of local public bodies and ensured the SIBs were embedded within the local ecosystem. Whilst it is possible these organisations would have engaged anyway, stakeholders believed that because they had contributed financially they had more 'skin in the game' and were therefore more engaged. Secondly, this provided a good opportunity for local authorities interested in SIBs to experiment with their use in a way that required minimal risks and effort. As discussed in 'Conclusions, Lessons Learnt and Recommendations', this has had positive follow-on effect in embedding SIBs as an approach in these local areas.

Stakeholders also felt the programme had, to a degree, improved on the Innovation Fund. In particular, the rate card was amended to add less emphasis/payment on the short-term school-based outcomes (such as attitude, attendance and behaviour) and more on longer-term outcomes such as qualifications. This was in an attempt to ensure projects focused on achieving the more longer-term outcomes. However, stakeholders also felt that Central Government had reacted too strongly to other lessons from IF; for example in response to criticisms in IF that it was too easy to evidence outcome claims, stakeholders felt in YEF it was too difficult, as detailed below. Furthermore, many of the lessons identified in the IF Evaluation were not addressed in YEF, as we discuss further in the Conclusions, Lessons Learnt and Recommendations.

4.3 Areas for development

As might be expected in a pilot programme, quite a number of areas for development were highlighted in the SIB design. Some of these have already been referenced, such as:

- **Including outcomes metrics that the intervention had only a small ability to influence:** As mentioned in [Level 2 qualifications](#), projects struggled to influence young people's level 2 qualifications, as they argued the school is the main influencer on these outcomes. They were therefore set outcomes targets that were to a degree beyond their control.
- **Metrics being too specific and not accounting for the changing circumstances of the cohort:** As mentioned in [All 16+ outcomes](#), projects had to state the specific proportions of the cohort that would progress into specific post-16 destinations, which does not account for the fact that it is very difficult to predict precisely which young people will progress to which post-16 destination.
- **Binary metrics that are too challenging for the most disadvantaged to achieve, with no opportunity to reward 'distance travelled':** As mentioned in [Characteristics of young people](#), setting a challenging attendance metric discouraged the projects from supporting young people with low attendance levels.
- **Not fully taking account of the true cost of delivery for the desired cohort when setting total target numbers and outcome payments:** As mentioned in [Characteristics of young people](#), service providers felt that the initial announcements from Central Government around the total number of young people the programme was going to support, coupled with the amount service providers could claim per outcome, inhibited their ability to engage very vulnerable young people in the programme.
- **Not ensuring enough time for more ambitious outcomes to be achieved:** As mentioned in [All 16+ outcomes](#), some project stakeholders felt they could have achieved more outcomes if there was a longer time period in which outcomes could be achieved. This does, however, create a challenge around attribution, as the longer the timeframe between the intervention and outcome measurement, the harder it is to attribute the outcomes to the intervention without a counterfactual.

Additional areas for development not yet referenced include:

- **Requirement for local contributors to provide all money upfront:** As a part of the application process local contributors had to move all of the money they may pay for outcome payments into a separate bank account. The rationale for this was to minimise the risk for DWP that local contributors may later decide not to honour their contractual commitments. By having to provide all the funding upfront, this negated some of the benefits that SIBs bring in relation to the fact that outcome payers only pay once outcomes have been achieved. Moreover, local contributors felt this showed a lack of trust from DWP and did not align with the collaborative approach the local contribution model suggested. This perception of a lack of trust sustained through the programme. *“To dip your toe in the water of SIBs, it’s a good thing to do – we’ve learnt a lot and it’s been useful; but we wouldn’t do it like that again – we’d want a lot more direct control again.”* (Local contributor representative. Comment made during case study visit)

“It’s felt like, as co-commissioner, we’re not really round the table.” (Local contributor representative. Comment made during case study visit)

This decision meant that some organisations would not contribute to other proposals, limiting the applications the Fund received. Central Government stakeholders interviewed were disappointed with this decision, as they felt it limited the opportunities the Fund could consider.

Recommendation: Future SIBs that involve a local contribution for outcomes payments from local public bodies should avoid requiring that all local contributions be paid upfront

- **Operating to financial rather than academic years:** The SIB operated on financial years, in that it launched in April 2016 and ended in March 2018. This created challenges for delivery, as it meant provision began and ended part-way through the academic year. Some decisions were made to accommodate this, such as the ability for service providers to claim outcomes up to September 2018. However, this did not fully resolve the difficulty. Furthermore, age eligibility was also based on dates of birth rather than year groups, meaning some young people within a year group could not access the support because of their date of birth, when others in the class could. Central Government departments recognised this challenge from the outset, but were constrained by the timings of Comprehensive Spending Reviews. Departments have been able to rectify this for future SIB programmes, such as the Life Chances Fund.

Lesson learnt: For SIBs to be most effective, the timing of the intervention needs to be tailored to suit the needs of the project rather than operate on financial years

- **Limited learning opportunities:** SIBs can be challenging for service providers who are new to delivering them. A number of managers from the service providers described how isolating it can when there are few other people with a similar experience to talk to. Multiple service providers commented that they would have benefited from more opportunities for the providers from the four projects to convene and share learning. Eventually the projects proactively created their own peer learning network.

Recommendation: For pilot SIB programmes, consider offering peer learning opportunities to enable service providers to share lessons with each other

- **Too large:** Two out of four of the service providers felt the SIB was too large in terms of participant numbers. They struggled with the administrative and management demands of the project.

4.4 SIB monitoring

DWP was the Contracting Authority for the programme, and monitored the delivery within the four projects.

YEF was a very different programme compared to programmes DWP typically oversee. DWP has substantial experience in overseeing adult employment programmes that have close links with Jobcentre Plus and other similar organisations. DWP has less experience overseeing programmes delivered by the voluntary sector supporting young people and operating in educational institutions. Consequently, the systems and processes DWP has in place could not be used to manage the YEF; instead new processes had to be designed and paper-based systems had to be used. Furthermore, DWP had capacity challenges in delivering the programme and there was some turnover of staff.

“It’s different pretty much on every level in a fundamental way. It’s a difficult provision to get your head around from our perspective.” (DWP representative. Comment made during stakeholder consultations)

The area that was raised most frequently by stakeholders in relation to the management of the programme was the level of flexibility. Projects strongly disliked DWP’s stance on contract variations.

DWP reported that there could only be limited variations within the projects for a number of reasons. Firstly, they were constrained by public sector commercial procurement rules and regulations around variations within contracts (for example to extend or change the agreed terms of a contract), which restricted flexibility. Furthermore, they stated that any large changes beyond the service provider’s original proposals would hold DWP open to legal challenge from other organisations that bid for the programme but were unsuccessful. In order to avoid any arising issues, the different stakeholders involved would have needed to come to an agreement on the types and extent of flexibility they would want for the SIB contracts at the outset and build in the relevant flexibility specifications and contract terms from the start.

“They said they were going to do something, so unless something unforeseen happens, they should do it.” (DWP representative. Comment made during stakeholder consultations)

Secondly, DWP’s stance stems from the idea that testing whether an approach worked or not is easier when not changing things whilst in delivery. More specifically, if the SIB is designed to capture the impact of an intervention through an impact evaluation, the degree of flexibility may need to be constrained so as not to undermine the results from the impact evaluation. Any added flexibility therefore needs to be carefully balanced in order to still be able to make this judgement.

It is interesting to note, however, that for the IF, some contract variations were created where projects could re-profile the balance between different outcomes. The rationale for changing this stance related to risk transfer. A key element of the SIB is risk transfer from government to the investors – i.e. if the project does not achieve its intended outcomes it is the investor who bears the loss. Central Government stakeholders felt there was too much flexibility in IF, which enabled the projects to de-risk, and essentially shift the risk back from the investor to government. An area where the risk is particularly high is in relation to the ‘recruitment cap’ (i.e. that projects could not recruit more young people than they stated in their proposals). One can assume there is a certain level of deadweight³⁷ within the cohort – the young people who would have achieved the outcomes anyway. If a project can over-recruit (i.e. recruit more young people than

³⁷ Deadweight includes outcomes which would have occurred without a policy, programme or intervention.

initially planned), the net size of the deadweight increases, and therefore the government pays for more of the outcomes that would have been achieved anyway³⁸.

Many stakeholders during the case study visits strongly disagreed with this view. Stakeholders were particularly frustrated by DWP not allowing projects to over-recruit or claim for outcomes they had achieved above what was projected. Many stakeholders felt that this was not in line with the flexible approach they thought SIBs were expected to adopt (and had seen in IF). It is important to clarify, though, that the limited flexibility was in relation to macro-level changes to project design and outcomes projections – there was scope to change more micro-level elements of the project. The degree of a potential over-recruitment was constrained by central government funding limitations. In addition, central government stakeholders feared the over-recruitment could be linked to cherry-picking the less disadvantaged young people within the eligible cohort.

“We’re working with one hand behind our back. The power of SIBs is you force innovation and flexibility in the delivery model. But you can only have that if there’s flexibility from the commissioner. That has hampered the contact.” (Service provider representative. Comment made during case study visit)

“There’s a disconnect to how DWP sold this to intermediaries as a flexible pilot to how it’s then been contract managed.” (SPV representative. Comment made during case study visit)

However, there is evidence in the evaluation that delivery would have been greater had DWP accommodated more flexibility. In particular, this is in relation to the flexibility around positive post-16 destinations (see [All 16+ outcomes](#)).

“I’m not entirely convinced we’ve got that right at the minute - government departments tend to err on the side of managing risk rather than seeking flexibility.” (Central Government stakeholder. Comment made during stakeholder consultations)

Due to these challenges many stakeholders felt frustrated with the SIB aspect of the programme, and thought the project was unable to achieve its fullest potential.

“DWP ended up building the YEF in reaction what had happened in the Work Programme. I don’t think that approach worked – there isn’t a one size fits all in this space.” (Central Government stakeholder. Comment made during stakeholder consultations)

This feeling was so strong that some investors remarked that they would seriously consider whether to invest again in a SIB managed by DWP.

The important learning point to note is that decisions around the degree to which the projects can be flexible and adapt needs to be agreed at the outset, communicated with all parties involved and built into legal documents to enable the flexibility to occur without challenge.

³⁸ To note: although the size of the deadweight would increase, it does so proportionately with the positive outcomes achieved for a larger cohort of young people; this is not a challenge that is particular to this project.

Lesson learnt: The contract management of SIBs needs to have an element of flexibility built into it to facilitate adaptation, while maintaining the principles that risk is borne by investors and providers. However, if the SIB is designed to capture the impact of an intervention through an impact evaluation, the degree of flexibility may need to be constrained so as not to undermine the results from the impact evaluation.

Recommendation: Ensure the contract management of SIBs is adequately resourced, and people responsible for managing each SIB have a thorough understanding of SIBs, including how they differ to more traditional contracting approaches, and how certain decisions might impact on SIB delivery

Other aspects that were highlighted in relation to the management of the programme included:

- **Inconsistency and lack of clarity in decision making:** Stakeholders involved in the projects felt that the YEF guidance was unclear, and gave several examples where DWP changed the guidance and payment metrics. There were confusions in relation to factors such as the number of young people the projects could recruit and attendance – in these instances, projects had assumed they were operating correctly as they had received payments only to be told later that these assumptions were incorrect.
- **Slow decision making:** Projects were frustrated by the length of time DWP took to respond to change requests – in one example a project waited four months.

4.5 Conclusion

Despite the areas for improvement highlighted in this section, there was a general view amongst stakeholders that the SIB model had been designed well. However, there were a number of areas for development, which negatively affected SIB delivery and should be re-examined when future SIBs are designed.

5.0 The SIB Effect

In this chapter we explore the 'SIB effect', i.e. how the SIB impacted on the delivery of the intervention. This chapter draws on qualitative research with both the projects and Central Government stakeholders. It is important to bear in mind that these effects are based on self-reported observations from stakeholders, based on their views on how the SIB compares to a fee-for-service contract. It was not possible to verify these observations through comparisons with similar projects delivered through fee-for-service contracts, because such comparison sites did not exist. The effects therefore need to be treated with some caution.

Figure 5.1 summarises the SIB effect. This is described in further detail underneath.

Figure 5.1: The SIB effect in YEF



- Influencing factors**
- Rate card (which outcomes have payments attached to them; level of payment; criteria for triggering payment; evidence requirements)
 - Social motivations of stakeholders
 - Style of contract management
 - Accuracy of original projections
 - Level of investor engagement
 - Previous experience of Pbr / SIBs

- Key**
- Blue = inputs
 - Grey = outputs
 - Green = positive effects
 - Red = negative effects

Largest box = present in all 4 SIBs

2nd largest box = present in 3 SIBs

3rd largest box = present in 2 SIBs

Smallest box = present in 1 SIB

5.1.1 SIB inputs

The main inputs that were present in the SIBs were:

- Payments based on intermediate/ultimate outcomes
- Investors provide upfront investment that is repaid from outcome payments: In three SIBs the investor provided 100% of the working capital. In one SIB the investor offered 25% of the working capital, with the provider risking their own capital for the other 75%. Four of the 12 Service providers took up the investment
- Capacity building support from investors: In two of the four SIBs the investor provided capacity building support to the service providers. This was most prominent in one SIB, in which the investor provided workshops and support for:
 - ▶ evidence criteria;
 - ▶ compliance;
 - ▶ caseload management;
 - ▶ project management;
 - ▶ procurement³⁹; and
 - ▶ growth and sustainment.

The Innovation Fund Evaluation also found that investors supported service providers in developing their capacity.

5.1.2 SIB outputs

5.1.2.1 *Availability of good amount of working capital*

Projects reported that upfront social investment provided a good amount of upfront working capital. This was in contrast to the projects' previous experience of self-funded PbR, where the project typically starts with a small amount of working capital and the project grows over time as outcome payments are made; this is in order to minimise the risk for the provider.

5.1.2.2 *Collection of evidence to claim outcome payments*

Projects had to collect evidence for each of the outcome payments, including baseline figures. This was above the level that the service providers had usually collected in a fee-for-service contracts or grants. The Innovation Fund Evaluation also found that the level of data collection required was greater than the service providers had provided in previous non-SIB contracts.

³⁹ Procurement is the acquisition of goods and services from third party suppliers under legally binding contractual terms. Such acquisitions are for the direct benefit of the contracting authority, necessary for the delivery of the services it provides or the running of its own business. Public sector procurement is normally achieved through competition, and is conducted in line with the government's policy of value for money and in line with the Public Contracts Regulations 2006

5.1.2.3 *Regular performance management meetings with board of investors*

In three of the SIBs the service providers would typically report to the board of investors on a monthly basis, including submitting latest performance results and forecasts. These meetings would, in turn, lead to two by-products:

- **Investor effect** and external pressure to perform: The regular meetings, in which the service provider was scrutinised, added additional pressure for the service providers. This was reported to be present in three out of four of the SIBs, but was less present in the SIB in which there were fewer regular meetings with the investor. The service providers also reported feeling obligated to the investors because they had funded the service, which also made them want to achieve more.

“I feel I’m more answerable to the investors than to [the commissioner]...[The investors] give added pressure,...It does make you go that absolute extra mile to meet outcome targets. Because I don’t want to let them down!...I don’t ever feel that letting [the commissioner] down is a concern. My concern is letting my organisation down and letting the investors down. I see the investors and [commissioner] as different. Because the investors have been so much of a part of it, we see them every month, in between board meetings they contact me, It’s quite an ongoing relationship...Whereas [the commissioner] just comes to check what our contact is, and doesn’t really give any input into it, or enter into a dialogue about that, they just kind of check we’re on track.” (Service provider representative. Comment made during case study visit)

“Genuinely, the intensive focus from the investors, and the performance management, does sharpen the mind.” (Service provider representative. Comment made during case study visit)

The Innovation fund Evaluation found that this close partnership working between the service provider and investor, with additional ‘scrutiny’ from the investor, was also evident.

- **New and different way of thinking in how project should be managed:** This was reported in one SIB in particular. As the investors came from a different background, the service provider found that they offered new and different insights into how the project could be managed. The service provider felt that they and the investors collaborated well together.

“They’re innovative people – as are we – bringing those two like-minded people together, and being flexible and test-and learn, is really positive.” (Service provider representative. Comment made during case study visits)

“We’re a charity but we have done a lot of work with local government, whereas when you get investors from the world of corporate finance or whatever, they bring a different view...they bring a view of anything’s possible...when we have Board meetings, they’ll say, ‘Can we try this, can we do that?’.” (Service provider representative. Comment made during case study visits)

5.1.3 **Effects**

The SIB mechanism appeared to affect five areas:

- Stakeholders involved in the projects
- Service management
- Outcome focus
- Adaptation
- Practitioners

Often the same effect would lead to both positive and negative consequences. Below we provide further detail on the SIB effects, grouped around these five areas.

5.1.3.1 Stakeholders involved in the projects

This area is summarised in **Figure 5.2**, and detailed below.

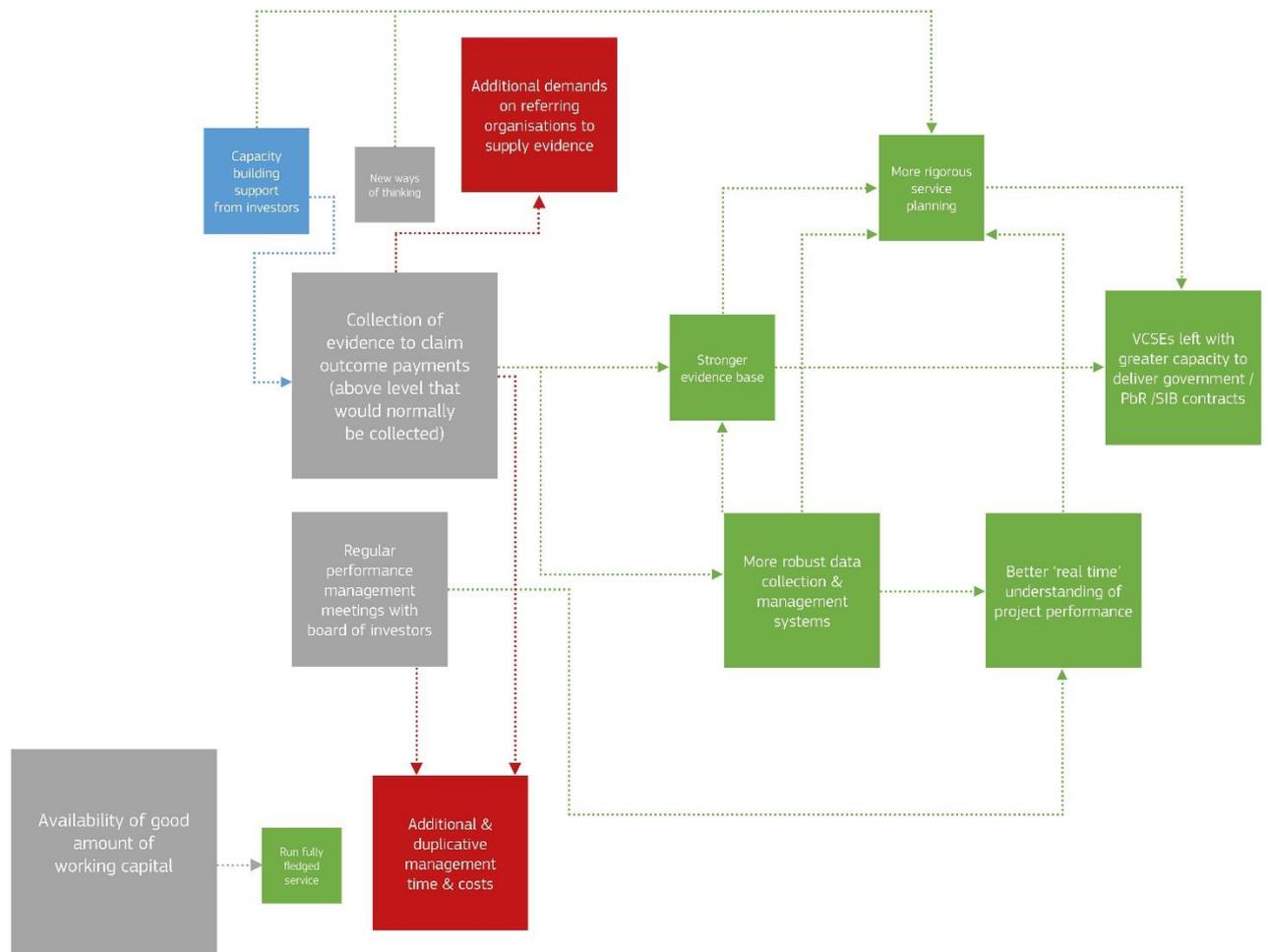
Figure 5.2: SIB effect on stakeholders involved in projects



5.1.3.2 Service management

This area is summarised in **Figure 5.3**, and detailed below.

Figure 5.3: SIB effect on service management



Provider can run fully fledged service from beginning

Because the service provider receives a good amount of upfront working capital from the investor they can spend more on the project from the beginning. This is opposed to what they could achieve in a PbR contract, when (as mentioned in inputs) they spend less upfront to minimise financial risk. This leads to a larger and more 'up to speed' service from the start, enabling the project to support more beneficiaries. This was reported by one service provider in particular, who was able to compare their experiences with more traditional PbR contracts.

"The SIB gives you the freedom to set up a programme properly to get the staff and infrastructure to do that, and spend money before you get money in, and not scrimp on it...[In PbR] there is a risk factor there."
(Service provider representative. Comment made during case study visit)

“[The service provider] had to think differently about the use of the money...On multiple occasions we’d say, ‘The money’s there, invest it now’....In PbR you’re more reluctant to invest upfront.” (Investor. Comment made during case study visits))

More robust data collection and management systems

Two of the service providers substantially improved their data collection and management systems. For example, one service provider recruited a new data administrator and invested in new data handling software. This was in order to meet the additional reporting requirements that come with having to generate evidence to claim outcomes, and to provide performance and forecasting data to the investors.

“If you did not have that granular understanding it is hard to make changes. You need to force organisations to invest more into managing their information systems etc so they can look at what is working for different beneficiaries.” (Service provider representative. Comment made during case study visits)

Better ‘real time’ understanding of project performance

This was evident in three of the SIBs. The more robust data collection and management systems, combined with the requirement to report to the investors on a monthly basis, coupled with a stronger focus on outcomes, all resulted in the service providers having a better understanding of the project performance compared to running services through standard contracts.

“Having the investors involved means you are looking at the figures all the time, looking at performance cohort by cohort. It has definitely increased the visibility of key data points in a way that we didn’t have before.” (Service provider representative. Comment made during case study visits)

“The culture of organisations who’ve worked in the grant-funded sector is, ‘We do it this way and once it’s finished we evaluate whether it’s worked’...[Here we are] monitoring performance and leading indicators towards performance and showing them they need to make a change. None of that would have happened and not in a timely way.” (SPV representative. Comment made during case study visit)

More rigorous service planning

This was reported in two of the SIBs. For example, some service providers felt they were better at forecasting outcomes than they were previously. This was as a consequence of having a better ‘real time’ understanding of project performance, coupled with the capacity building support provided by the investors.

“It make us constantly evaluate – does it work, and how can we make sure it works?” (Service provider representative. Comment made during case study visits)

This was echoed in the Innovation Fund Evaluation.

Additional and duplicative management time and costs

Whilst the evidence requirements, frequent reporting to both investors and DWP, and regular investor meetings all led to the positive effects listed above, they also had the negative effect of creating additional management time and cost demands. This was the most consistently reported negative effect of the SIB, and was evident in three of the SIBs. In one SIB the service provider CEO as well as the programme manager attended investor meetings, and reported that the management time was five times greater than comparable programmes commissioned through more traditional grants or contracts

“In terms of management time on this project, it’s off the scale compared to other projects...It requires a huge amount of management input.” (Service provider representative. Comment made during case study visits)

“It is management heavy, in terms of its demands on managing the programme.” (SPV representative. Comment made during case study visit)

Some of this additional time did have positive effects, such as the regular investor meetings, as reported previously. However, some of this time did not yield positive effects for delivery; for example the service providers had to produce multiple sets of data for both the investors and DWP, which they felt was duplicative.

Stronger evidence base

A positive side-effect of collecting evidence to claim outcome payments was that the service providers had a stronger evidence base for their interventions. This was reported in two of the SIBs.

“It provides a more robust evidence base.” (Service provider representative. Comment made during case study visits)

This was particularly recognised as a benefit by one of the local authorities:

“I would say as commissioner it’s instilled a rigour in the way [the service provider is] working. We’re only interested in stuff we can be reasonably sure we’ve got the evidence – so getting [the service provider] in a cultural way where [the service provider is] ready for [gathering evidence] is essential.” (Local authority representative. Comment made during case study visit)

Additional demands on referring organisations to supply evidence, damaging relationships

This was reported in three of the SIBs. Whilst the additional data collection had positive side-effects, it also had negative side effects. The service providers felt the volume and detail of evidence required to claim for the outcomes was disproportionate. Service providers reported that this resulted in them having to ask for large amounts of data from education institutions that was either difficult to obtain (such as three terms of attendance figures) or that the institutions could not supply (such as the specific date that a child’s behaviour became acceptable). This created an additional administrative burden for educational intuitions, and some service providers felt this damaged their long-term relationship with these schools. In one SIB, a practitioner reported that an FE college pulled out of the programme because they did not have the capacity to engage. Another service provider observed that some YEF schools disengaged from the programme due to the administrative burden of the project, and they felt these schools seemed to be less engaged in their other programmes.

“We had more than one [school] who said, ‘Thanks but no thanks’ for the cohort after, because of the paperwork.” (Service provider representative. Comment made during final round of project consultations)

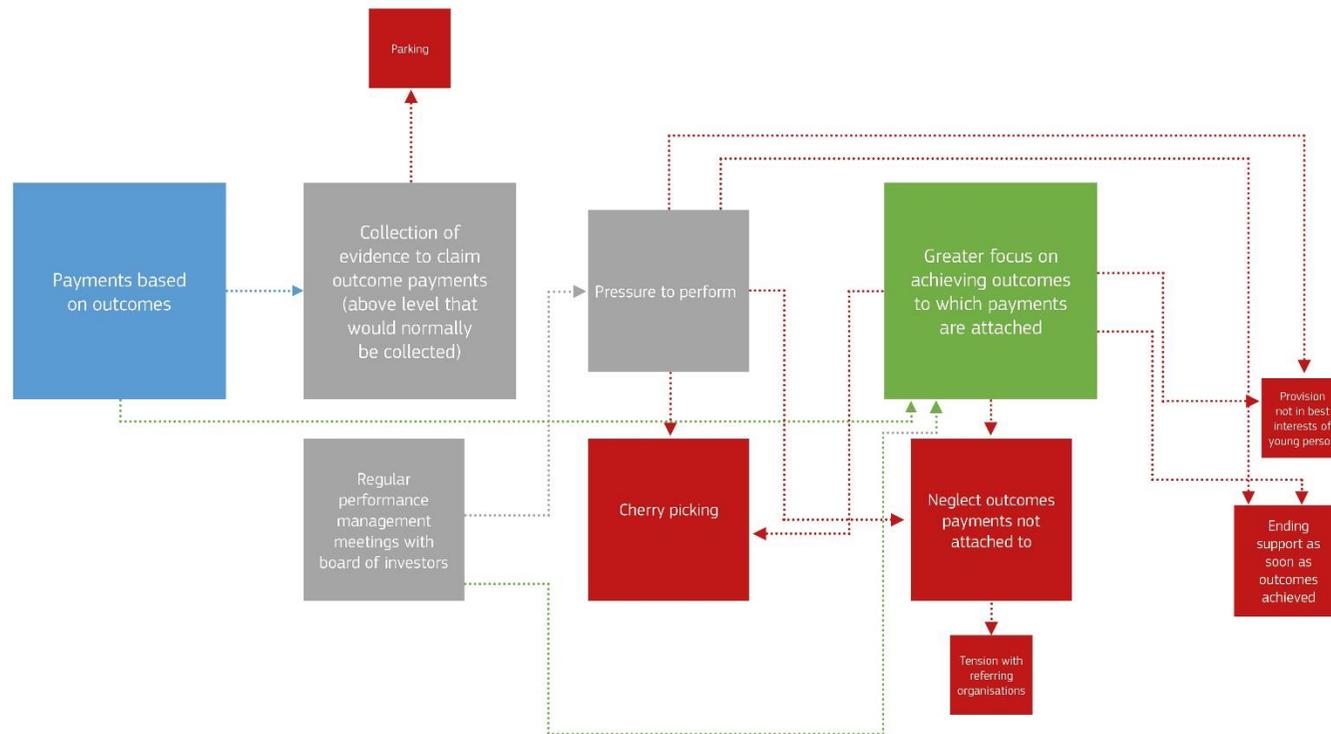
VCSEs left with greater capacity to deliver government and PbR contracts

This was evident in three of the SIBs, with one in particular that included a group of small service providers receiving capacity building support from the investor. As a consequence of this the service providers had been able to develop their systems and acquire quality marks; they were now taking greater roles in other government or PbR contracts, which they felt would not have been possible without their involvement in the SIB. Another remarked that the SIB had *“future-proofed”* the organisation, and they were rolling out the more robust systems they developed across their organisations

5.1.3.3 Outcomes focus

This area is summarised in **Figure 5.4**, and detailed below.

Figure 5.4: SIB effect on outcomes focus



Greater focus on achieving outcomes to which payments are attached

This was one of the strongest and most consistently-reported SIB effects, existing in all four SIBs. The requirement to evidence outcomes, combined with the additional focus on these outcomes from the regular investor meetings, resulted in the service providers having a much stronger focus on achieving the primary outcomes. For example, one service provider felt that the SIB led them to thinking more about how they could achieve outcomes with more challenging young people. Another altered their provision to ensure it aligned closer to the primary outcomes; historically they had not focused on educational attainment; in this SIB they added aspects such as revision sessions to ensure this was achieved.

The stronger focus on primary outcomes was widely regarded by all stakeholders to be positive overall. Some service providers said that they preferred SIBs to grants because they focused everyone's attention more on the outcomes:

"Grants haven't been as outcomes-focused as I think they should be." (Service provider representative. Comment made during case study visits)

The Innovation Fund Evaluation also found service providers had increased their focus on achieving outcomes.

However, despite this having a positive effect overall, it did have a series of negative consequences for some respondents, as we detail below.

"The theory doesn't always work out in practice." (Service provider representative. Comment made during case study visits)

"I wonder whether sometimes the outcomes have got in the way of the focus on progress." (Service provider representative. Comment made during case study visits)

Cherry picking

This was evident in three of the SIBs, and has been reported on previously. In one of the SIBs cherry picking was not evident during the first case study visit; however at the second visit it was apparent that some service providers had deliberately avoided accepting harder to reach young people, because they found they disengaged with the service and so the service provider could not claim outcomes for them.

Parking⁴⁰

This was evident in one SIB, in which they had stipulated in their model that they would support young people for a set period of time. For some young people they had already achieved the outcomes they were working towards, but were unable to exit the young person from support because, as reported previously in [SIB monitoring](#), they were unable to change their delivery model. Consequently they were 'parked'; they remained on the programme but were only provided with light-touch, or no, support. One practitioner reported that, as a result of this, their caseload increased from 35 to 117.

⁴⁰ In social impact bonds parking is a perverse incentive whereby providers neglect people who are less likely to achieve positive outcomes.

Neglecting outcomes that payments are not attached to

This was evident in three SIBs. The outcomes-focus culture only extended to the outcomes that payments were attached to, and in some instances these were prioritised at the expense of other, secondary outcomes.

“You always have to bear in mind that you’re doing this for an outcome, so you’re limited in what you can do. So the support you want to give, you have to say no because you don’t have time to do that.” (Service provider practitioner. Comment made during practitioner focus group)

However, it is important to note that this effect was not always present. Indeed even in the SIBs where this was observed, it was not apparent amongst all the service providers or practitioners. Some service providers reported that they would support all of the young persons’ challenges, as they committed to addressing all of the young people’s problems. One of the projects embedded a strong focus on mental health, despite the fact that they would receive no revenue for achieving these outcomes. These service providers saw the outcome payments attached to other activities as enabling them to ‘subsidise’ this other provision.

However, some service provider representatives did highlight that this was the nature of all contracts, and not exclusive to SIBs:

“We don’t live in a world where someone gives you a pot of money and says, ‘Do what you want’.” (Service provider representative. Comment made during case study visits)

Tension with referring organisations who wanted the service provider to work on wider set of outcomes

Linked to the above effect, at times there appeared to be a tension between schools and service providers; schools wanted the service providers to focus on a wider set of activities, such as providing support to groups of young people where bullying appeared to be taking place. However, some service providers struggled to agree to these requests, as they would detract from their activities that outcomes were attached to. At times they agreed in order to maintain a strong school relationship, but at other times they did not. Consequently, whilst all schools were in general positive concerning the support, some were disappointed that the service provider would not provide a wider set of support. This was evident in one SIB. Whilst this tension would arguably exist in other types of contracts, the service provider felt the SIB constrained them more in the type of support they could offer.

Ending support as soon as outcomes were achieved, even when problems reappeared

This was evident in two SIBs. This was linked to the above effect – that activities that would not lead to outcome payments generally had a lower priority. Some practitioners disliked the fact that, as soon as the relevant outcomes were achieved, they were expected to end the support for the young person even if other issues were still evident. Practitioners were also frustrated that they saw some young people’s problems reoccur, yet were unable to re-support them as they had already claimed for their outcomes.

Again, however, this was not always present, and some service providers and practitioners were continuing to support young people even when they were aware this would not generate a financial reward.

“If the maximum is reached on young people, if you exit that young person, it is detrimental to the young person so we will continue to support them...[The practitioner is] still working. There’s no financial benefit [for the organisation] but it is [the young person’s] life.” (Service provider representative. Comment made during case study visit)

Provision provided to achieve primary outcomes that are not in best interest of beneficiaries

In one SIB, the service provider was struggling to achieve its number of entry-level qualifications, as the schools were reluctant to release children from classes. In response, the provider designed its own course that they could deliver outside of school time. They provided this course to large numbers of young people on the programme to ensure they could achieve their entry-level qualification targets. However, it was widely recognised by stakeholders involved in the SIB that this qualification was not being provided to young people because there was a genuine belief that young people would benefit from this qualification; instead, it was primarily provided to hit the targets. Practitioners in particular disliked this decision, and one referred to it as *“selling double-glazing to someone when you know they’ve already got it”*.

“It’s not necessarily in the young person’s interest – we’re working to the outcome not the individual...It’s like selling windows sometimes.” (Service provider practitioner. Comment made during practitioner focus group)

“I do feel that I’ve had to push people to do things that I don’t necessarily think should have been done in that way.” (Service provider practitioner. Comment made during practitioner focus group)

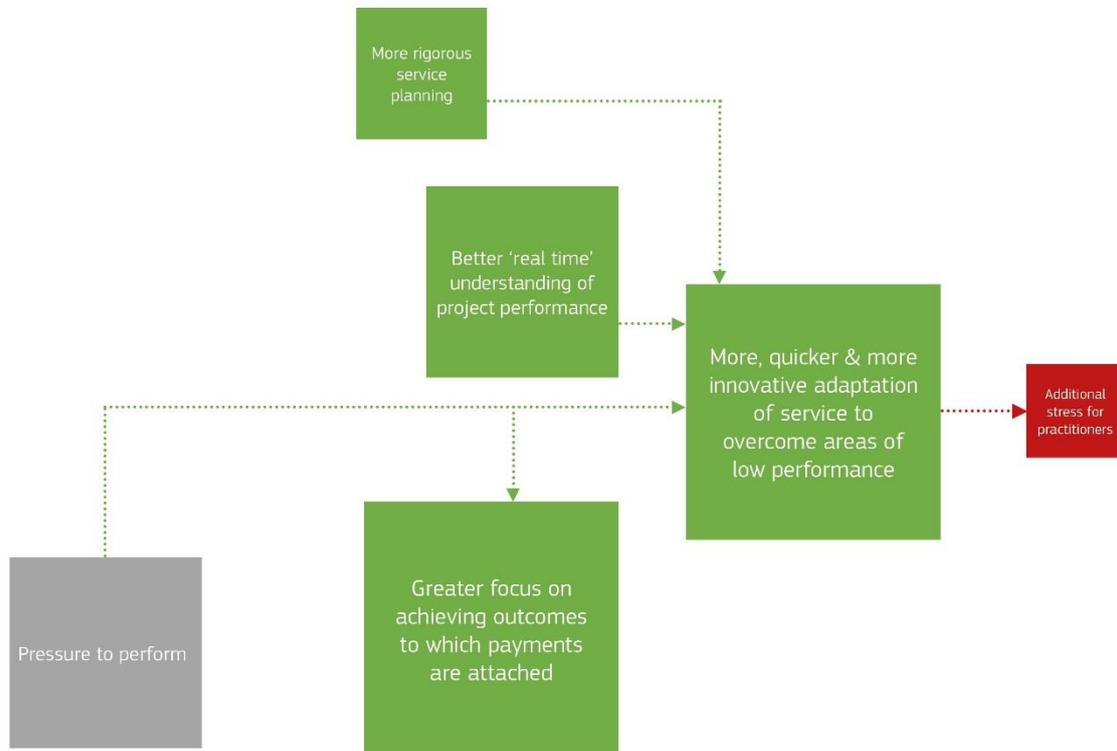
However, again this effect was not always present:

“We’ve got integrity and wouldn’t do anything just to get a target - we always work with the young person’s best interest.” (Service provider representative. Comment made during case study visit)

5.1.3.4 Adaptation

This area is summarised in **Figure 5.5**, and detailed below.

Figure 5.5: SIB effect on adaptation



More quicker and more innovative adaptation of service to overcome areas of low performance

This was also the strongest and most consistently reported SIB effect. Although many stakeholders reported that there was limited flexibility on the macro-level programme design and outcome projections, there was scope to be flexible in more micro-level elements of the programme, and the SIB facilitated this. This was as a result of the regular meetings with the investors, coupled with the greater focus on outcomes. It was facilitated by having a better understanding of project performance, and so service providers could identify which areas of the intervention were under-performing. Some stakeholders felt that this led to more innovative adaptations to the service – identifying areas of under-performance and experimenting until they found new solutions to them. This was partly because of the new way of thinking provided by the investors, and partly through the necessity to provide solutions to areas of under-performance. For example, for one service provider the outcomes they were achieving with each cohort was increasing over time; they felt this was as a consequence of adapting each time as they learnt what was working.

“Maybe if that happened in another project that wasn’t a PbR or scrutinised in the way it was, you’d think it’s a real nuisance and that’s it – where it’s PbR you’ve got no option but to think, ‘What on earth are we going to do, because we need to get these outcomes?’” (Service provider representative. Comment made during case study visits)

“Many things are set up in the SIB but how you get to point B is not set out. This provides us that flexibility...SIB allows us to be creative.” (Service provider representative. Comment made during case study visits)

Others felt these adaptations would have been made eventually, but the investor pressure meant they happened at a faster pace.

“You may not be as innovative and flexible on the same timescales if it wasn’t money dependent. It’s outcome-dependent, so you’ve got to shift...You’d probably reach the same conclusion, but you wouldn’t have to move it overnight.” (Service provider representative. Comment made during case study visits)

“The number of changes put through this project would never have happened, or happened too late.” (SPV representative. Comment made during case study visits)

The Innovation Fund Evaluation also found that the SIB led to greater adaptation in delivery.

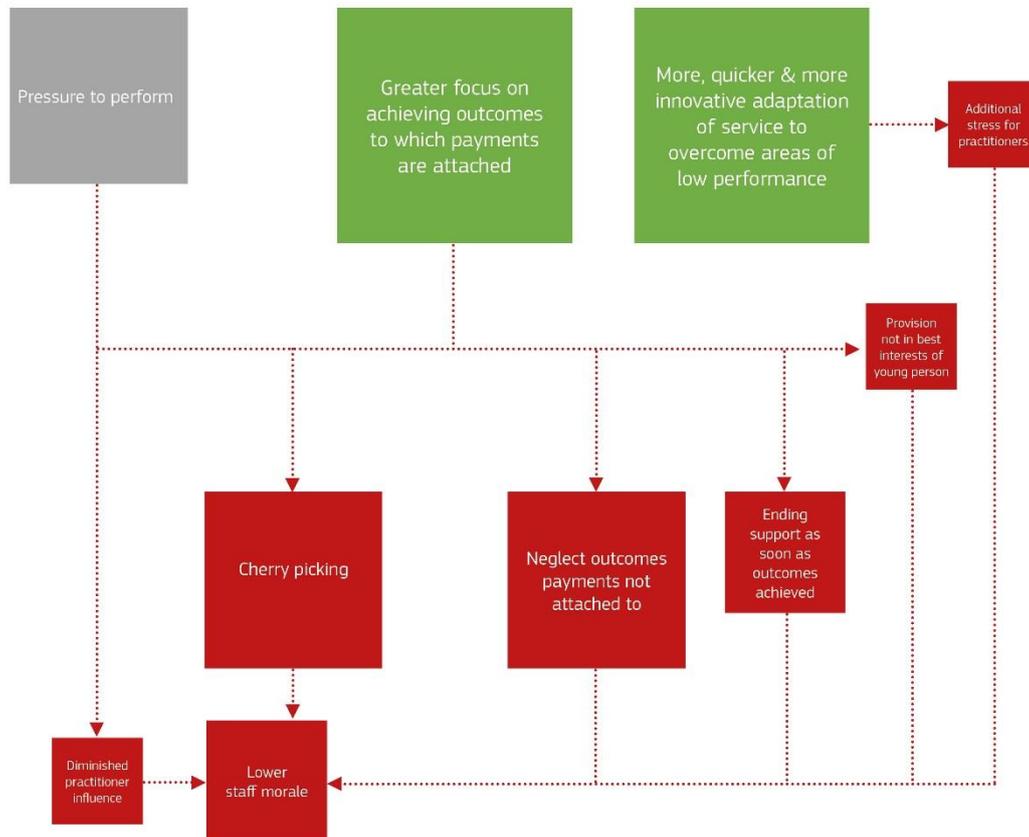
Additional stress for practitioners who feel they have to constantly change provision: Most stakeholders were of the view that the quicker and more innovative adaptation of the service brought about by the SIB was having a positive effect on service provision. However, in one SIB the practitioners strongly disliked this element; they found it challenging and stressful to have to, in their view, constantly come up with new ideas and change what they were doing before they had managed to embed the previous approach.

“We’ve had to react to the investors’ demands too much...Whenever the investor get nervous about outcomes we have to react...We’re forced into a situation in crisis management – we have to invent stuff and it’s very rushed and it doesn’t always pan out...It’s a knee-jerk reaction.” (Practitioner focus group. Comment made during case study visits)

5.1.3.5 Practitioners

This area is summarised in **Figure 5.6**, and detailed below.

Figure 5.6: SIB effect on practitioner experience



Diminished influence of practitioners' ability to shape provision

In one SIB, the practitioners felt that the investor influence over delivery decisions displaced their own decision making abilities. Whilst this effect was most evident in one SIB, in another SIB the service provider managers felt the investor was pushing them to undertake activities they did not agree with and felt were unrealistic. These efforts ultimately proved ineffective, and therefore the service provider was frustrated they had wasted time. They described the investors as being “*out of touch*” and not fully understanding the context. Therefore, whilst overall service providers felt the influence of the investor was positive, it did have negative effects.

“*We lost a lot of flexibility...We don't have the flexibility of how we do it.*” (Service provider practitioner. Comment made during practitioner focus group)

Lower morale

In three of the SIBs, all of the negative aspects described above were lowering staff morale. Some practitioners interviewed found the new approach stressful and challenging, whilst others found the negative effects to delivery demoralising. Others did not like the outcomes focus, as they felt they spent too much time collecting evidence and not enough time providing frontline support.

“In terms of managing people I don’t think it’s been a great experience.” (Service provider practitioner. Comment made during practitioner focus group)

“It nearly killed us.” (Service provider practitioner. Comment made during practitioner focus group)

One manager described the investor pressure as being *“healthy and unhealthy pressure”* and *“anxiety inducing”*.

One service provider had learnt that some practitioners like this approach, and others do not. In future SIBs they intend to ensure that they recruit practitioners more supportive of this type of approach.

“For managers it’s been a challenge – it’s a cultural change and some people have been unwilling to put data on the system or fill in in forms.” (Service provider practitioner. Comment made during practitioner focus group)

Lesson learnt: Not all practitioners support a strong outcomes focus approach and can find it challenging. Service providers should carefully recruit practitioners for a SIB

Multiple projects also learnt that communication between the different parts of the SIB was essential, so that they could each understand perspectives and experiences. In particular, it was important for the investor board and the delivery team to communicate with each other. For example, an SPV chair reported that, after they met the delivery team and explained why so much evidence had to be collected, practitioners were much more understanding.

Lesson learnt: Communication between different parts of the SIB is crucial to ensure everyone understands the rationale for decisions, and how these affect other stakeholders

However, it is again important to note that this was not a universally-held experience, and for some practitioners the SIB had not had a detrimental effect on their morale.

“I have so many days when I’m, like, this is so hard, but I have so many more days when I’m, like, I can’t believe I get to do this, when I get a text message from a young person...thank you for meeting me.. Thank you for coming, caring, or showing up. If they don’t have any other support coming from the government...their social workers they don’t have the money there...if we’re the ones who get to do that...it’s such a privilege to be able to do this, to be the person who says “I believe you can actually get a job.” (Service provider practitioner. Comment made during case study visit)

5.1.4 Factors influencing the SIB effect

Some effects were consistently present in all four SIBs – and indeed have been identified in other SIB evaluations – and therefore could be regarded as very common SIB effects. Other effects, however, were not all present in all four SIBs to the same degree, or indeed not present in some SIBs at all. This would suggest that these effects are not necessarily guaranteed, but depend on the presence of other factors. Based on the case study visits, it would appear that the following factors affected the extent to which some of the SIB effects listed above were present.

5.1.4.1 Rate card design

As has been mentioned throughout this report, SIB delivery is strongly affected by the rate card design. In particular, it is affected by:

- which outcomes have payments attached to them;
- level of payment;
- criteria for triggering payment; and
- level of evidence required to claim outcomes.

In YEF these factors influenced the:

- characteristics of the cohort supported;
- degree of cherry picking; and
- relationships with referring organisations.

5.1.4.2 Social motivations of stakeholders

The negative SIB effects were seen most strongly in two of the SIBs, and were almost absent in one. It is the evaluation team's view that this is because of the extent to which stakeholders were driven by social motivations.

There was a commonly held view that, taken to their extreme, SIBs could include a whole range of very negative and perverse effects.

"This is perversely driving you to that behaviour [negative SIB effects]." (SPV representative. Comment made during case study visits)

However, in all four SIBs the social motivations of the stakeholders involved – both service providers and investors – acted as a limiting factor on the extent to which the negative SIB effects were present.

"Our investors are interested in the young people, and the social impact....The investors care about cash flow, but they have a stronger interest in the good [the service] is doing for young people." (Service provider representative. Comment made during case study visit)

"The investors were generally happy to take feedback and were amenable to change, even if it was at cost to the return because they are social investors - they want to find something that works." (Service provider representative. Comment made during case study visit)

The Innovation Fund Evaluation found similar findings with regards to the social motivations of investors:

"By and large, partners were pleasantly surprised at how committed they found their investors to be in wanting to secure good social returns from projects." (Qualitative Evaluation of the DWP Innovation Fund: Final Report)

There was a general view that the project needed to strike the balance between avoiding the negative effects, whilst also ensuring the project achieved its outcome targets.

“You have to get that balance between what is right for the young people and what is going to make you survive.” (SPV representative. Comment made during case study visits)

Where these two came into tension was when the project was underperforming and stakeholders were faced with a dilemma – do we do what is right for the young people and accept the financial consequences, or do we adopt some perverse behaviours in order to ensure the project survives? For some, they would not adopt any perverse behaviours and accepted that they were making a financial loss (though they would never do a SIB again). Perverse effects (as described in [Effects](#)) seemed most evident where stakeholders had taken the view that the project had to survive, and therefore they had to be done.

“There is an investor hierarchy of need; first, will I get my money back, and second, outcomes.” (Service provider representative. Comment made during case study visit)

5.1.4.3 *Style of contract management*

Some of the decisions made by DWP in managing the programme affected some of the SIB effects. For example, the decisions in relation to macro-level changes to projects and the responsiveness to contract change requests limited the level of adaptation and flexibility within the SIB. It also affected the degree of parking.

“You need to pay attention to who the outcome payer is, that’s huge.” (Investor representative. Comment made during case study visit)

5.1.4.4 *Accuracy of original outcome projects*

As mentioned in the social motivations of stakeholders, when the original outcome projections are inaccurate this fuels the perverse incentives⁴¹, as projects seek to secure the outcome payments.

5.1.4.5 *Level of investor engagement*

A strong influence on the SIB is the ‘investor effect’; the additional pressure, ideas and capacity building. However, the degree to which the investors monitored delivery, and therefore the degree to which the investor effect was present, varied across the projects.

5.1.4.6 *Previous experience of PbR and SIBs*

Many of the projects that were previously involved in the Innovation Fund described how they were able to build on the lessons learnt from this experience. This generally enabled them to maximise the positive SIB effects and diminish some of the negative SIB effects. For example, one SIB was able to reduce its management costs from IF to YEF because IF had enabled the service provider to increase its reporting capacity. This reduced the amount of performance management time required by an external consultant. This, coupled with a lower investor return, enabled the SIB to reduce its total costs from IF to YEF by 30%.

⁴¹ A perverse incentive is an incentive to act in manner that goes against the desired outcome or aims of a service or programme

5.1.5 SIB effect vs PbR effect

Many of the effects described above are predominantly linked to the fact that outcomes were linked to payments, and therefore can be described more as 'PbR effects' than SIB effects per se. However, as some of the service providers were involved in PbR contracts previously it was possible to compare SIB and PbR delivery. From this it became clear that some effects would also have occurred through a PbR, but were enhanced by the presence of the investors, such as the outcomes focus and increased adaptation. Other effects were unique to SIBs, such as:

- enabled more VCSEs to be involved;
- developed the capacity of VCSEs;
- removed some risk aversion, and led to a more fully fledged service;
- diminished influence of practitioners; and
- additional and duplicative time and costs.

5.1.6 Did the SIB lead to more outcomes being achieved?

This is a very difficult effect to examine, particularly without the ability to know what outcomes would have been achieved if the service was commissioned via a different mechanism. For some stakeholders, the answers almost seemed contradictory – they described how the SIB effects listed above facilitated the delivery of the intervention, yet when asked whether this ultimately led to more outcomes being achieved their view was that it did not. Because of the improved monitoring the SIB did lead to more outcomes being evidenced, but their gut feeling was these outcomes were already being achieved, but just not being evidenced.

“We’ve done this the best we can. If that’s a grant or a SIB it’s made no difference.” (Service provider representative. Comment made during case study visits)

However, for practitioners in particular, it appeared that they took such pride in their work, and believed in its inherent success, that the suggestion that a contracting mechanism could achieve more outcomes was unthinkable. Because of the arguments they themselves presented, in relation to all the benefits the SIB brought, it is the evaluation team’s view that the answers to the questions in relation to whether the SIB generated more outcomes have to be treated with some caution. It is our view that the benefits the SIB brought, as outlined above, lead to the logical conclusion that they achieved more outcomes, though this conclusion was not explicit during interviews with service providers.

For another group of stakeholders, their view was that, with the on-the-ground delivery resources, the service provider team achieved more outcomes than they would have done through a different type of contract. For one service provider, through this contract they achieved more outcomes than they have in any other time delivering the intervention. This is because of all the positive effects listed above, but primarily because the service provider was focused more on achieving the primary outcomes and generating referrals, and was able to (and under pressure to) adapt the intervention quickly to respond when these outcomes were not being achieved.

The key aspect to consider, though, is not necessarily whether the on-the-ground delivery achieved more outcomes, but whether it achieved more outcomes that outweigh the additional management costs, and all the other negative SIB effects detailed above. Put simply, the SIB diverts resources away from direct delivery and into management costs. For one service provider, it was estimated that if the service were funded through a grant or standard contract they could have used the additional costs to fund five extra practitioners. Put another way, the practitioners needed to deliver 20% more outcomes each in order to justify the SIB costs. And so the question is, what achieves more outcomes – fewer practitioners delivering in a more effective way (albeit with a range of negative effects), or more practitioners delivering in a less effective way? This is a very difficult question to answer without being able to compare both approaches in parallel. The views of stakeholders were mixed. In one of the SIBs most stakeholders were of the view that more outcomes were achieved over and above what could have been achieved through an alternative mechanism. In two other SIBs they felt the additional costs did not justify the additional outcomes, either because they felt more could have been achieved through more on-the-ground delivery, or because the SIB limited their ability to achieve secondary outcomes. In one SIB they felt they could not answer this question.

“I’m not against the relationship with the investors, but in the hard light of day, by and large it’s probably better to have more money given to us directly.” (Service provider. Comment made during case study visit)

It is interesting to note that the Innovation Fund Evaluation reported that, *“there was a widespread belief that projects had achieved better results than they would have done had the pilot been commissioned using more traditional procurement methods.”*

5.1.7 Aspects of the SIB Theory of Change that were not evident

The previous section describes the SIB effects that were observed during the case study visits. It is apparent that some of the expected effects articulated in the Theory of Change were not present. These are detailed below.

5.1.7.1 *PbR contract enables Government to fund experimental approaches without taking on financial risk*

None of the four SIBs were introducing new or experimental approaches. All four service providers had delivered almost identical services previously; indeed all of the service providers were attracted to YEF because it fit so well with their core offer. Furthermore, the approaches adopted were very similar to other NEET-prevention services that have existed for many years. For example, almost 10 years ago (2009) Bolton Lads and Girls Club ran a NEET prevention programme called pathways2success, funded through the Youth Sector Development Fund. The delivery model was very similar to some of the YEF projects, as it included mentors supporting young people in Key Stages 3 and 4, involved mentors being placed in schools and a series of enrichment and positive activities. It is because of this that some Central Government stakeholders who were interviewed questioned the value of SIBs:

“How innovative is it, if people are just trying to replicate practice that they know is going to work?” (Central Government stakeholder. Comment made during stakeholder consultations)

5.1.7.2 *Focus on outcomes leads to more efficiency*

Overall, there was limited evidence to suggest the projects were more efficient because they were commissioned through a SIB. There were some areas where the SIB appeared to lead to more efficient delivery, such as a strong focus on the cost of delivery. There were also examples where delivery was adapted to achieve more efficiency, such as how mentors were deployed. However, conversely there were other areas that created inefficiencies. These included: the requirement to report to multiple stakeholder groups; the level of evidence collection; and providing provision in order to hit outcomes when it is not in the best interests of the young person.

“It’s terribly inefficient and wasteful.” (Service provider practitioner. Comment made during practitioner focus group)

5.2 Conclusion

This chapter has also shown how a SIB affects the management and delivery of services. The SIB affected the service in a myriad ways, leading to both positive and negative consequences. The strongest effects were that the SIB increased the focus on achieving outcomes, and enabled service providers to adapt and improve delivery over time. However, it also led to cherry picking and inefficiencies as there were high levels of duplicative performance management. Overall, there is not an overwhelming evidence base to conclude whether the SIB led to more outcomes being achieved.

The key question to consider, therefore, is whether the positives the SIB provided outweighed the negatives. The best way to answer this question is to explore stakeholders’ overall views of the effectiveness of the SIB, and whether they would continue to be involved in them. For some, they were undecided. However, for most, the answer was positive: commissioners liked the SIB because it increased accountability and the focus on outcomes; service providers liked the SIB because, again, it increased the focus on outcomes and the ‘investor effect’ enabled them to adapt; investors liked the SIB because it aligned their social and financial interests. At the time of writing almost all stakeholders were either considering, or are actively involved, in future SIBs.

“Ultimately [the negative effects] are a small price to pay for having the luxury of having that money upfront and being able to deliver a fully-funded programme for young people, which we wouldn’t have been able to do without this SIB.” (Service provider representative. Comment made during case study visit)

“YEF sold [SIBs] internally as a project worth getting involved in.” (Local contributor. Comment made during case study visit)

6.0 Conclusions, Lessons Learnt and Recommendations

Below, we draw on the qualitative evidence from the Youth Engagement Fund evaluation to consider the extent to which the four YEF objectives were achieved.

Objective 1: Delivering support to help young people aged 14-20 who are disadvantaged, or at risk of disadvantage, to enable them to participate and succeed in education and training, to improve their employability, reduce their likelihood of future offending and improve health and wellbeing.

The qualitative evidence would suggest that this has been achieved for some of the young people. Anecdotal reports from the projects, and the qualitative evaluation research, highlight how the projects have helped young people build their self-awareness, self-control, motivation and self-belief. The support also helped them think through their options post-16. This was boosting their attitude to education, improving their behaviour and attendance. Young people were then progressing into positive post-16 destinations, though not necessarily the ones the projects predicted at the outset.

The YEF support was delivered effectively. The service providers ran effective services that were attractive to both schools and young people, along with filling a gap in local provision. In particular, the support was seen as being beneficial because it spanned multiple dimensions, both in terms of its focus (both educational and pastoral), and cohort (supporting both young people still in education and those NEET).

However, to a degree YEF can also be regarded as a missed opportunity. The rate card design meant that young people were, to an extent, cherry picked; whilst they were disadvantaged, they were not the most disadvantaged in the local areas concerned.

The second missed opportunity was that the programme did not fund innovative provision. An argument frequently made for SIBs is that we have not yet solved some of our society's greatest challenges and therefore need to find new solutions – a SIB enables governments to experiment with reasonably new solutions at relatively low risk. This argument does not hold for YEF. All four SIBs funded interventions that were pre-established and had already been delivered in the local area. YEF scaled up pre-existing solutions to the NEET challenge, but it did not identify *new* solutions.

The third missed opportunity was that many of the challenges identified for YEF were also identified in the IF evaluation (such as not supporting the most disadvantaged young people; the need to provide longer-term support to ensure the more vulnerable young people achieved the outcomes; and the challenges of using binary outcomes). This is surprising considering most stakeholders were of the view that YEF had built on the lessons learnt from IF. This suggests a stronger need to build on the lessons learnt from previous programmes.

The final missed opportunity was in relation to sustainability. The follow-on argument to SIBs enabling experimentation must surely be that, when solutions are identified, they are continued. The YEF provision is generally regarded by stakeholders to have been effective (though the impact evaluation needs to be completed before the evaluation can conclude this). However, whilst small pockets of the provision has been sustained (through schools funding its continuation in their school), it has not overall been funded again.

Objective 2: Enabling schools, academies, local authorities, colleges and others to use their resources more effectively to support disadvantaged young people and reduce the number of young people who become NEET.

YEF did enable a broad range of educational institutions to use their resources more effectively. It provided schools with a solution for the young people they were struggling to support; for some, this was a solution where there were no other alternatives and it filled a gap in provision; for others it offered a 'refreshing' alternative to the pre-established support they had lost faith in.

However, it needs to be borne in mind that the programme's evidence requirements placed an administrative burden on the educational institutions, and to a degree this diminishes the extent to which the programme enabled resources to be used effectively. Future SIB designs need to seriously consider how the metrics will impact on the resources of other organisations.

Due to unforeseen challenges in accessing the Management Information data, and due to the timescales of the evaluation, it was not possible to conclude on whether the programme prevented young people from becoming NEET. To achieve this for future evaluations the following need to be in place:

- Young people consent forms that conform to GDPR requirements (in particular stating the lawful reason for processing the young peoples' personal data and how the data will be used): These elements were missing from the consent form, and so it was viewed that the Management Information data could not be passed to the evaluation team. It is important to highlight that this programme began before GDPR was introduced, and so it would have been very difficult for the consent forms in the YEF to conform to GDPR requirements.
- Ensuring the evaluation timeframes are sufficiently long enough to analyse progression into education, employment and training: A number of young people were 14 when the programme began. Due to timelags in the collection and reporting of national administrative data, in the timeframes of the evaluation it would only have been possible to analyse the post-16 destinations of the young people who were 17 when the programme began. The evaluation would have needed a further three years to understand fully the programme's impact on levels of NEET.

Objective 3: Test the extent to which a Payment by Results approach involving social investors can drive improved outcomes for young people and generate benefit savings, as well as other wider fiscal and social benefits.

If YEF is considered as a SIB test pilot, this aim was certainly achieved. As one of the first evaluations of a SIB programme, this study provided the opportunity to understand how the SIB impacts on service delivery. It has highlighted a wide range of lessons (summarised in **Table 5.1** below) which can be applied to future SIBs.

The SIB led to a broad range of effects, some positive and some negative. Overall, stakeholders thought that the positives outweighed the negatives, and that the SIB, overall, improved service design, management and delivery. However, the ultimate indicator of whether the SIB was successful must surely be whether it achieved more outcomes than an alternative funding mechanism. Here the evidence is unclear.

It also needs to be considered that most of the SIB effects varied across the four SIBs. Most of them do not appear, therefore, to be 'fixed' effects, but they instead are determined by a range of factors. It is the evaluation team's view that, if the lessons from YEF were to be applied again, it would be possible to maximise the positive effects of the SIB and diminish some of the negative effects, including the costs. This could then lead to a much more positive SIB effect.

Objective 4: Support the development of the social investment market, build the capacity of social sector organisations and contribute to the evidence base for Social Impact Bonds (SIBs).

This was achieved. The involvement in the SIB, coupled with the support from the investors, developed the capacity of the VCSEs concerned to deliver future government contracts, including PbR and SIB contracts. Two of the service providers were involved in future SIBs, and others were applying to be involved.

The programme also had a positive effect on developing the local SIB market. In one area in particular, the local authority's involvement in YEF helped them understand the potential of SIBs, and they are developing a youth service SIB, that will encompass many elements of youth support. Those concerned report that, had they not been involved in YEF, it is unlikely this would have happened. Running central government outcomes funds is therefore an effective approach for developing the SIB capacity in local areas, and increasing the likelihood that local SIBs will be commissioned.

“Overall this has been a good thing to do for [our city]...We've learnt a lot about how outcomes-focussed programmes can be delivered – we've learnt you can do it as a SIB...We've done a bit of thinking about, shall we do some more of this...If we hadn't done the YEF we would be in a different position.” (Local authority representative)

Table 5.1: Summary of key lessons learnt in delivering YEF

For NEET prevention programmes:

1. NEET-prevention support needs to be designed differently if supporting young people aged 14 to 15, or 16+, recognising that young people aged 14 to 15 will be based in schools whilst those aged 16+ are likely to be dispersed across a wider set of institutions (if at all) and may be harder to contact and engage.

For all SIBs:

2. Recognise that it will take some time for the project to 'bed in' and reach full volumes of participants. Future programmes should avail themselves of a full implementation period to ensure mechanisms are in place for a project to get off to the best start.
3. Using local contributors (i.e. local authorities contributing to part of the outcome payments) in SIBs commissioned by central government increases the engagement of local public bodies and ensures to a certain degree that the SIB is embedded within the local ecosystem.
4. When SIBs are replicated they can operate more effectively, as service providers are able to build on relationships and lessons learnt from the previous SIB.
5. When attaching costs to outcomes, commissioners should consider the cost of delivery for the target cohort (taking account of a range of needs including the most disadvantaged), as well as any possible cashable savings.
6. Eligibility criterion should be clearly defined to avoid cherry picking.
7. SIB projections can be prone to optimism bias, and should be rigorously tested and challenged.
8. When outcome numbers are set and there is no room for flexibility, service providers need to be able to ensure the profile of beneficiaries matches the outcomes they are trying to achieve (whilst avoiding cherry picking).
9. There must be a strong link between the intervention provided by the service provider and the outcomes that payments are attached to. The intervention must be the main influencer on those outcomes.
10. For SIBs to be most effective the timing of the intervention needs to be tailored to suit the needs of the project, rather than operate on financial years.
11. The contract management of SIBs needs to have an element of flexibility built into it to facilitate adaptation, while maintaining the principles that risk is borne by investors and providers. However, if the SIB is designed to capture the impact of an intervention through an impact evaluation, the degree of flexibility may need to be constrained so as not to undermine the results from the impact evaluation.
12. Not all practitioners support a strong outcomes focus approach. Service providers should carefully recruit practitioners for a SIB.
13. Communication between different parts of the SIB is crucial to ensure everyone understands the rationale for decisions, and how these affect other stakeholders.

6.1 Recommendations

The recommendations have been embedded throughout the report. We draw them all together here.

For NEET prevention programmes:

1. Future NEET prevention programmes could consider supporting young people in Year 9, to ensure the programmes intervene early enough
2. Provide more holistic support, focusing on employers and parents as well as young people
3. Ensure the evaluation timeframes are sufficiently long enough to analyse young people's progression into education, employment and training

For all SIBs:

4. Consider 'distance travelled' payment triggers, or tying the amount of payment to baseline levels, when designing a rate card for supporting very disadvantaged beneficiaries
5. Long-term SIBs with multiple outcomes in a rate card need to have a level of flexibility to account for the changing circumstances of the cohort
6. Future SIBs that involve a local contribution for outcomes payments from local public bodies should avoid requiring that all local contributions be paid upfront
7. For pilot SIB programmes consider offering peer learning opportunities to enable service providers to share lessons with each other
8. Ensure the timescales of the SIB match the timescales of other local services (for example operating in academic rather than financial years)
9. Ensure the contract management of SIBs is adequately resourced, and people responsible for managing each SIB have a thorough understanding of SIBs, including how they differ to more traditional contracting approaches, and how certain decisions might impact on SIB delivery
10. Consider what implications the SIB design will have on other local organisations and the efficiency of service delivery
11. Ensure the lessons learnt from previous programmes are captured as early as possible, and applied to future programmes

For NEET prevention SIBs:

12. The outcome trigger should be 'one of [specified] positive post-16 destinations' rather than a specific destination
13. Provide more time for high-level (i.e. level 3 qualifications or employment with training) post-16 destinations to be achieved, recognising that it may take time for disadvantaged young people to achieve these outcomes

Annex One: Programme and Project Theories of Change

Figure A.1:: Programme level Theory of Change

Youth Engagement Fund Programme Theory of Change

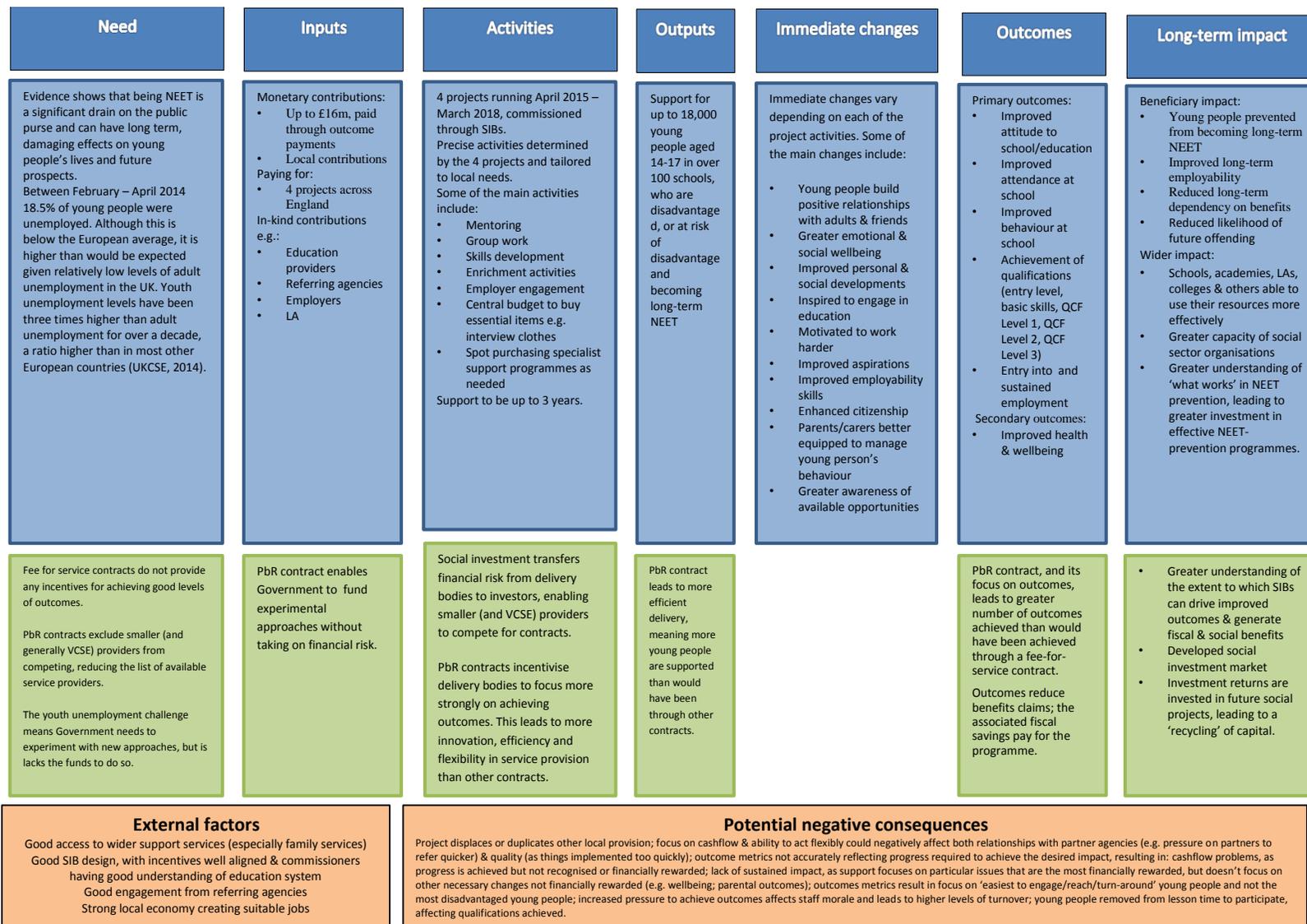


Figure A1.2: Project level Theory of Change: Aim for More

Youth Engagement Fund Projects Theories of Change: Teens and Toddlers

Need	Inputs	Activities	Outputs	Immediate changes	Outcomes	Long-term impact
<p>Target boroughs (Bury, Rochdale, Wigan, Stockport and certain wards in Trafford) have indicators that suggest that young people are at high risk of becoming NEET. E.g.:</p> <ul style="list-style-type: none"> - Poverty: E.g. Pemberton in Wigan with 38.9% of children living in poverty; Rochdale, Wigan and Bury have over 1 in 5 children living in poverty (Rochdale is in the Top 5, with Falinge estate, the most deprived area in England for the fifth year in a row) - Teenage pregnancy: E.g. Rochdale, Wigan & Bury have teen pregnancy rates above the national average (between 4 and 7% higher). 1 in 10 teenagers on the Falinge estate are teen parents. - Youth offending: E.g. Wigan is in the top 10 for youth offending. - Sexual exploitation: E.g. Wigan has one of the highest rates of young people most at risk of sexual exploitation, as reported recently by Ofsted., - Adult unemployment: E.g. 72% of people in the Falinge estate in Rochdale are unemployed. - Truancy and low levels of attainment: Target schools have high levels of truancy and low levels of attainment. 	<p>Monetary contributions:</p> <ul style="list-style-type: none"> • DWP outcome payments • Grants from two local funds <p>Paying for:</p> <ul style="list-style-type: none"> • 14.78 FTEs in DB • Wider SIB 'infrastructure' (e.g. Board of investors; SPV; intermediary support [0.75 FTE]) • Award ceremonies • Qualifications • Staff training <p>In-direct contributions:</p> <ul style="list-style-type: none"> • Referrers: E.g. support with engagement • Schools: E.g. providing evidence for claims, providing transport, clothes, timetabling • Nurseries : E.g. supporting young people on placements • LAs: E.g. brokering introduction to schools • Teens and Toddlers (T&T) overheads: E.g. office space, QA, data analysis etc. • Social work students on placements 	<p>'Aim for More' project, running April 2015 – March 2018.</p> <p>1 Delivery Body providing 18-week T&T programme in schools & nurseries. The programme combines:</p> <p>Stage 1:</p> <ul style="list-style-type: none"> • A work experience scheme where teens mentor a disadvantaged (e.g. autistic, refugee, elective mute) child in a nursery to increase participation and confidence. • An Entry Level 3 qualification in personal and social development, tailored to the needs of the disadvantaged young people. • Classroom sessions in anger management, interpersonal skills, relationships and risky behaviour . • Individual action plans outlining outcomes/barriers to progress, reviewed regularly. <p>Stage 2:</p> <ul style="list-style-type: none"> • Ongoing support to GCSE: Provision of continuing support post completion of T&T programme through to GCSE (e.g. group meetings, individual goals and action plans). • Tutoring & Careers coaching: 16 1-hour tutoring from The Tutor Trust (where appropriate) • Signposting to other local interventions for employment transition work (e.g. CV writing/interviewing skills) 	<p>Up to for 1,681 young people aged 14 – 15 receive support</p>	<p>Changes for young people:</p> <ul style="list-style-type: none"> - Development of life skills including team work, reliability, social skills and interaction - Raised aspirations - Increased self esteem - Improved self-efficacy - Greater resilience & enhanced self-management 	<p>Primary outcomes:</p> <ul style="list-style-type: none"> - Improved attitude to school/education (1681) - Improved attendance at school (250) - Improved behaviour at school (1681) - Achievement of qualifications (entry level [1681], QCF Level 1 [762], QCF Level 2 [762]) <p>Secondary outcomes:</p> <ul style="list-style-type: none"> - Reduced teenage pregnancy - Better management of risky behaviours - Toddlers have greater school readiness, social interaction 	<p>Long-term impact for young people:</p> <ul style="list-style-type: none"> - Progression into FE or employment - Life skills leading to improved personal relationships - Improved parenting skills - Longer term resilience - Long-term impact for DB: - Longer-term relationship between T&T and local partners, leading to more commissioning of support <ul style="list-style-type: none"> • Programme is able to demonstrate its impact and is expanded by central Government
<p>External factors</p> <p>Good relationships with local organisations (e.g. referrers, schools, nurseries) Positive relationship with SPV and investment board Availability of local employment interventions to signpost to</p>						

Figure A1.3: Project level Theory of Change: Unlocking Potential

Youth Engagement Fund Projects Theories of Change: Unlocking Potential

Need	Inputs	Activities	Outputs	Immediate changes	Outcomes	Long-term impact
<p>Neighbourhoods within Greater Merseyside have a range of characteristics that mean young people are at risk of becoming NEET. Based on research and anecdotal evidence from schools, these issues include:</p> <ul style="list-style-type: none"> Concentrations of young people with health and wellbeing issues, including low levels of: self esteem; confidence; resilience; social, communication and engagement skills; aspirations and awareness of opportunities; and some serious mental health issues. These young people suffer from bullying (including cyber bullying), a poor perception of their image (including body image) and may have had suicidal thoughts Persistent rates of absence, low levels of attainment and behavioural problems Low employability skills and low exposure to world of work Areas with high levels of deprivation including high youth unemployment, incapacity claimants, poor health, low earnings and poor housing indicators. Young people involved in criminal activity, substance or alcohol misuse and anti-social behaviour. Teenage pregnancies <p>In particular, there are high NEET rates amongst vulnerable groups, such as LAC & SEN. There is a gap in local provision for these vulnerable groups.</p>	<p>Monetary contribution:</p> <ul style="list-style-type: none"> DWP outcome payments 25% contribution from 5 LAs Registered social landlords <p>Paying for:</p> <ul style="list-style-type: none"> 23.2 FTEs, including 21 FTE delivery team; 1FTE PM; 0.2 Director ;& 1 FTE MI support. Wider SIB 'infrastructure' (e.g. Board of investors; SPV; intermediary support) Staff training & development Qualifications (external accreditation; internal QA) Overheads (printing, wider organisation infrastructure etc.) Barrier fund <p>In-direct contributions:</p> <ul style="list-style-type: none"> Referrers: E.g. support with engagement Schools: E.g. providing evidence for claims, space) LAs e.g. consultations on project design in early stages, space (e.g. libraries) City Region Employment & Skills Board & employers to leverage employment opportunities Other office space (e.g. provided by social landlords) 	<p>Project running until March 2018. Support will typically last 13 weeks. Young people will have a coach who will develop an action plan (including mental toughness assessment) tailored to their individual need. Activities include:</p> <ul style="list-style-type: none"> Resilience development: Comprising individual and group sessions and coaching tailored to individual needs. Supportive coaching: Focused on client-specific emotional problems. Group coaching will focus to address specific issues e.g. concerns about transitions, exams, friendships/relationships and self-esteem. Employability support: Work tasters & placements & 'personal branding' approach e.g. CV development, job search techniques. 'Barrier fund' to pay for aspects that will improve employability (e.g. CSCS card to access construction opportunities; equipment; travel passes; awards) Support into progression 'Digital' support (phone/webchat) Signposting to complementary and/or specialist provision (e.g. NCS, DAAT) Support to complete accredited qualification – Entry Level 3 & Level 1 Personal Effectiveness Light touch support to parents and carers: To develop their capability and capacity to better manage their young person's behaviour. Post-programme support to families and young people. 	<p>Support for 4,040 young people aged 14 – 17</p>	<ul style="list-style-type: none"> Improved motivation Improved social skills Greater self-esteem, confidence & self of belonging Greater ability to manage stress & anxiety Stronger relationships with family & friends Greater self control Greater self-efficacy, ability to set goals & ability to deal with change & adaptation Parents/carers better equipped to manage young person's behavior Greater aspirations / awareness of opportunities 	<p>Primary outcomes:</p> <ul style="list-style-type: none"> Improved attitude to school/education (2,476) Improved attendance at school (632) Improved behaviour at school (951) Achievement of qualifications (entry level [600], basic skills [1,160], QCF Level 1 [1,448], QCF Level 2 [312], QCF Level 3 [31]) Entry into (176) and sustained (103) employment <p>Secondary outcomes:</p> <ul style="list-style-type: none"> Greater emotional & wellbeing Reduced risky behaviour (e.g. anti-social behavior, teenage pregnancy) Wider outcomes: Project contributes to school development(e.g. school development plans) 	<p>Long-term impact for young people:</p> <ul style="list-style-type: none"> Make greater contribution to society Have greater earning potential Less likely to get involved in substance & alcohol misuse Improved health & wellbeing Involvement in long-term employment Improved parenting skills <p>Long-term impact for DB</p> <ul style="list-style-type: none"> Build credibility & evidence base in broad service delivery, leading to future commissioning opportunities

External factors

Availability of provision to signpost to
 Good relationships with schools and referrers
 Alignment (and not clashing/duplicating) other provision
 Good relationships with investors and local contributors

Figure A1.4: Project level Theory of Change: Youth Engagement Fund (Prevista)

Youth Engagement Fund Projects Theories of Change: Prevista

Need	Inputs	Activities	Outputs	Immediate changes	Outcomes	Long-term impact
<p>Data from Intelligent London (October 2014) indicates there are 3,080+ young people (8.7% aged 16-18) in the 10 LAs known to be NEET.</p> <p>Barriers to engagement with EET include:</p> <ul style="list-style-type: none"> Lack of confidence Lack of motivation and low aspirations. Disillusioned with learning because of difficulty in achieving good grades Low levels of literacy/numeracy Risk taking behaviour Behavioural problems, leading to a high rate of exclusions/referrals to other schools, leading to gaps in learning 'System' problems, making it difficult to meet young people's needs, e.g.: Schools with large classroom sizes, making it difficult to tailor learning to individual's needs; young people getting 'lost in the system' and going unsupported because their needs are not identified by data/ services. <p>Particular young people face specific challenges, e.g.:</p> <ul style="list-style-type: none"> Gang activity Unaccompanied minors from war-torn countries, which schools lack the capacity to support (e.g. language barriers, understanding of culture) 	<p>Monetary contributions:</p> <ul style="list-style-type: none"> DWP outcome payments Local contributions: <ul style="list-style-type: none"> 2010 Finance 1 Ltd (53%) LB Waltham Forest (26%) LB Croydon (13%) Croydon Partnership (8%) <p>In-kind contributions:</p> <ul style="list-style-type: none"> Referring agencies (e.g. schools, PRUs, DAAT) to identify & refer young people & complete outcomes claims LA time (supporting with setting up project) Local employers (e.g. providing facilities) Some DB/investor overheads (receptionist, investor capacity-building support for DBs etc.) <p>Paying for:</p> <ul style="list-style-type: none"> 2x FTE in investor Up to 21 FTE in 10 Delivery Bodies Wider SIB 'infrastructure' (e.g. Investor Board) Overheads (office space etc.) Accredited courses 	<p>Project running April 2015 - March 2018.</p> <p>1 Investor & 10 DBs providing:</p> <ul style="list-style-type: none"> Personal Career Coach offering coaching, information, advice & guidance to identify needs/barriers to EET engagement, support, tripartite action plan detailing support & regular review meetings for up to 3 years. Youth Applied Positive Psychology MyWorkSearch Group work Combination of services & activities in & out of school tailored to needs of YP, designed to address barriers including: offending (Prison Reality & Make it Happen Days); numeracy & literacy; & confidence (Mentor Me Programme, peer to peer mentoring) Volunteering, progression, skills & enrichment activities 16+ Integration Programme activities (e.g. College Open Days, CV workshops) Liaison/communication with families Exit interviews, action plans & aftercare (up to 26 weeks) 	<p>Support for 1,000 young people aged 14 – 17, including 600 14 – 16 and 400 16+</p>	<p>Young people:</p> <ul style="list-style-type: none"> Inspired to engage with education & to progress for further EET Improved self-confidence Increased self-awareness (strengths, areas for improvement etc.) Improved responsibility Improved literacy/numeracy Improved personal, team, interpersonal social skills Improved aspirations reduced risk taking behaviours (gangs, drugs, alcohol, risky health behaviour) More informed about what EET choices they have available <p>Partners (e.g. Referral organisations, DBs, apprenticeship organisations, LAs):</p> <ul style="list-style-type: none"> further improved understanding of the barriers to YP engagement with EET 	<p>Primary outcomes:</p> <ul style="list-style-type: none"> Improved attitude to school/education (820) Improved attendance at school (180) Improved behaviour at school (331) Achievement of qualifications (entry level [317], basic skills [202], QCF Level 1 [285]; QCF Level 2 [200]) Entry into (208) and sustained employment (138) <p>Secondary outcomes:</p> <ul style="list-style-type: none"> Other FE/HE participation Reduced offending and risk-taking behaviour (e.g. substance misuse, gang activity) Improved family relationships & more stable home environments Greater overall achievement rates for schools Reduced referrals to Fair Access Panel / Fixed Term / Permanent exclusions <p>Outcomes for partners:</p> <ul style="list-style-type: none"> DBs have greater capacity (e.g. skills, scope of service) to support YP improved partnership working to support YP into EET 	<p>Young people:</p> <ul style="list-style-type: none"> Sustained EET, cascaded down' to all siblings within family Young people willing to give back to community Less long-term offending behaviour Reduced offending within communities Long-term improved school outcomes (GCSEs, OFSTED) <p>Partners:</p> <ul style="list-style-type: none"> Improved efficiency & effectiveness of processes/systems change in services for YP Evidence generated to provide more and sustainable funding for youth and early intervention DBs grow and able to continue to support YP

External factors

Capacity within support partners (e.g. family services; YOT); Engagement from referring agencies & schools; Employers willing to take on 'vulnerable' YP (to take on apprentices; work-placements); Young people engagement throughout programme; Quality of staff (ability to: build relationships with schools, monitor progress, outputs and outcomes; and support YP); Good relationships and partnerships with wider partners.

Figure A1.5: Project level Theory of Change: FutureShapers

Youth Engagement Fund Projects Theories Of Change: FutureShapers

Need	Inputs	Activities	Outputs	Immediate changes	Outcomes	Long-term impact
<p>Despite good progress overall in Sheffield in reducing the number of young people NEET, reducing the number of the most hard-to-reach NEET has proved much more difficult. This is because they have a range of vulnerabilities and face a number of barriers to progression which require dedicated resource and focus to overcome. Often, the target group lack consistent practical and emotional support. The following barriers to progression are in place for our target cohort to mixed degrees:</p> <ul style="list-style-type: none"> Complex social issues: Especially complex/destructive home/wider community circumstances , (e.g. 'hidden' LAC, young carers, lack of good parenting, limited encouragement to achieve in school) but also health problems; deprivation & learning disabilities Emotional & social problems: E.g. low confidence; low resilience; stress & anxiety due to academic pressures; Low aspirations Delayed English language acquisition Low literacy & numeracy skills Not 'work ready' as lack wider personal & social skills 	<p>Monetary contributions:</p> <ul style="list-style-type: none"> DWP outcome payments 25% contribution from Sheffield LA <p>Paying for:</p> <ul style="list-style-type: none"> 20.6 FTE in Delivery Body Wider SIB 'infrastructure' (e.g. Board of investors; SPV; intermediary support) <p>In-kind contributions:</p> <ul style="list-style-type: none"> Schools: E.g. providing referrals; evidence for claims; support with engagement Employers: As part of employer engagement strand 	<p>Project running April 2015 – March 2018.</p> <p>1 Delivery Body providing:</p> <ul style="list-style-type: none"> Mentoring: 1-2-1 support including wrap-around support; developing & overseeing action plan & signposting to other services Group work Skills development: E.g. study skills, employability skills Enrichment activities: E.g. Xtra Push mental toughness programme; DoE (Yr9) & NCS (yr11); trips Employer engagement: E.g. work tasters Central budget to buy essential items e.g. interview clothes Spot purchasing specialist support programmes as needed (PET-XI entry level support; ESOL; specialist literacy & numeracy; counselling; family learning) 	<p>Support for 1,319 young people aged 14 – 17, including: 747 14 – 15 & 572 16+</p>	<ul style="list-style-type: none"> Young people build positive relationships with adults Greater emotional & social wellbeing (e.g. strengthened resilience; improved self-confidence) Improved personal & social developments (e.g. team-working, responsibility, communication) Inspired to engage in education Motivated to work harder Improved aspirations Improved employability skills (both work-based requirements and job-search skills) Enhanced citizenship 	<p>Primary outcomes:</p> <ul style="list-style-type: none"> Improved attitude to school/education (1,319) Improved attendance at school (752) Improved behaviour at school (752) Achievement of qualifications (entry level [435], basic skills [320], QCF Level 1 [1,319], QCF Level 2 [564], QCF Level 3 [165]) Entry into (1,154) and sustained employment (1,154) <p>Secondary outcomes:</p> <ul style="list-style-type: none"> Progression into FE/HE 	<p>Beneficiary impact:</p> <ul style="list-style-type: none"> Skills for 'career management', leading to sustained employment Greater earning potential Wider skills and attitudes to handle change & greater life skills Greater overall view of the value of education, passed on to future generations, reducing the need in the next generation <p>Wider impact:</p> <ul style="list-style-type: none"> Greater recognition / evidence base of the value of youth engagement support Better understanding from employers around 'vulnerable' young people & commitment/capacity to employ and support them

External factors

Good access to wider support services (especially family services)
 Good SIB design, with incentives well aligned & commissioners having good understanding of education system
 Good engagement from referring agencies
 Strong local economy creating suitable jobs

Annex 2: Glossary

Below are list of definitions of terms used within the report. These are taken from the GOLab glossary, which draws on a number of sources, most notably:

- HM Treasury Magenta Book
- National Audit Office
- World Bank Group Impact Evaluation in Practice guidance
- Centre for Social Impact Bonds Knowledge Hub

Baseline: The state before the intervention, against which progress can be assessed or comparisons made. Baseline data is collected before a programme or policy is implemented to assess the before state. The availability of baseline data is important to document balance in pre-programme characteristics between treatment and comparison groups. Baseline data is required for some quasi-experimental designs.

Binary outcome: A binary outcome is a type of hard outcome that has only two states, either an outcome is achieved or it is not. For outcomes based contracts, they are used where it is deemed unacceptable for the public sector to pay for outcomes that include negative events.

Cashable savings, or cashability: The extent to which a change in an outcome or output (e.g. fewer children in care) will result in a reduction in spending, such that the expenditure released from that change can be reallocated elsewhere.

Cherry picking: This is a perverse incentive whereby providers, investors or intermediaries select beneficiaries that are more likely to achieve the expected outcomes and leave outside the cohort the most challenging cases.

Commissioner: A public organisation or official responsible for commissioning public services. In SIBs they are the outcome payer and are typically a central or local government organisation.

Deadweight: Outcomes which would have occurred without a policy, programme or intervention

Outcome: The outcome is what changes for an individual as the result of a service or intervention. For example, improved learning in school, better mental health.

Outcome measure: An outcome measure is the specific way the commissioner chooses to determine whether that outcome can be achieved. For example, a test score. Often this encompasses a single dimension of an outcome.

Outcome metric (or target or trigger): An outcome metric is the specific value attached to the measure of for the purposes of determining whether satisfactory performance has been achieved. eg. a test score of 95 out of 100 or improvement of 30 points in a test score over a 5 month period. Under a PbR contract or SIB, these metrics will usually determine whether a payment is made to the provider or investor.

Parking: In social impact bonds parking is a perverse incentive whereby providers neglect people who are less likely to achieve positive outcomes.

Payment by Results: The practice of paying providers for delivering public services based wholly or partly on the results that are achieved

Perverse incentive: An incentive to act in manner that goes against the desired outcome or aims of a service or programme

Primary outcome: In a SIB the primary outcome is the most important outcome in the contract, the one that the commissioner most wants to see positively impacted.

Procurement: The acquisition of goods and services from third party suppliers under legally binding contractual terms. Such acquisitions are for the direct benefit of the contracting authority, necessary for the delivery of the services it provides or the running of its own business. Public sector procurement is normally achieved through competition, and is conducted in line with the government's policy of value for money and in line with the Public Contracts Regulations 2006

Service provider: A service provider is responsible for delivering the service to the beneficiaries and are often charities. They will work in collaboration with the commissioner and the investor to make the SIB work.

Rate card: The profit on an investment, normally expressed as an annual percentage. This is typically the **ratio of the income from the investment over the cost of the investment**

Secondary outcomes: After the primary outcomes (the most important) the secondary outcomes are the other important outcomes that the commissioner wishes to see improved. They may capture different dimension of the programme or reinforce the primary outcome.

Social investment: The use of repayable finance to achieve a social as well as a financial return. According to Big Society Capital social investment requires both the investor and the user/investee to explicitly intend to create a positive social impact. For investors, social investment is part of the spectrum of impact investment

Social investor: An investor seeking social impact in addition to financial return. Social investors can be individuals, institutional investors, dedicated social investment funds and philanthropic foundations, who invest through their endowment. A list of UK social investors can be found on the Good Finance website

Special Purpose Vehicle: A legal entity (usually a limited company) that is created solely for a particular financial transaction or to fulfil a specific contractual objective

