



HM Government

Youth Engagement Fund

Prospectus

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Background

1. On 30 April, the Deputy Prime Minister announced a package of measures to help address youth unemployment and homelessness. These include a new Youth Engagement Fund of over £16m over three years to tackle the attainment gap and reduce the number of young people who become NEET (not in education, employment or training) using social impact bonds (SIBs).
2. The new Youth Engagement Fund will build on the existing DWP Innovation Fund to bring together 'what works' evidence alongside external social investment to fund innovative preventative interventions that will improve outcomes for young people. The Fund will test the extent to which a payment by results approach involving social investors can drive improved outcomes for young people. It will also engage local stakeholders through local financial contributions to projects; support the development of the social investment market by building the capacity of social enterprises and charities; and contribute to the evidence base for the increased use of social impact bonds.
3. The Youth Engagement Fund will pay for positive education and employment outcomes achieved by projects that support disadvantaged young people between the ages of 14 and 17 across areas of England.
4. The attainment gap between children and young people from different social and economic backgrounds and the high number of young people not in education, employment, and training (NEET) is a significant drain on the public purse and can have long term, damaging effects on young people's lives and future prospects. Being NEET is associated with negative outcomes later on in life: by the age of 21, young people who have been NEET for six months or more are more likely than their peers to be unemployed, earn less, receive no training, have a criminal record and suffer from poor health and depression¹. There is a strong correlation with being NEET and early parenthood².
5. There are also strong links between poor educational achievement and offending. Some estimates indicate that young people who are not in education or employment are, on average, 20 times more likely to be convicted of a crime³. Offenders with poor or no qualifications are also more likely to reoffend. In 2010, 66% of offenders without qualifications were reconvicted within a year of leaving prison compared with 45% of those with qualifications⁴.

¹ Social Exclusion Office (July 1999) *Bridging the Gap: New Opportunities for 16- 18 Year Olds not in Education, Employment or Training*

² National Audit Office (2010) *Against the Odds: Re-engaging young people in education, employment or training* available at <http://www.audit-commission.gov.uk/>

³ 2011 Barrow Cadbury: [Education, training and employment & young adults in the criminal justice system](#)

⁴ Ibid

6. The most recent Quarter 4 2013 Labour Force Survey put the number of 16-17 year olds and 18-24 year olds NEET in England at 81,000 and 844,000 respectively. For most young people, being NEET is a temporary outcome: in the two years after completing compulsory education, just over one in six young people is NEET at some point, but only one in twenty five is NEET for 12 months or more. Over their lifetime every young person who has been NEET will on average incur higher public finance (£56,000) and economic (£104,000) costs⁵.
7. Vulnerable young people are a diverse group with a variety of different needs. A range of factors are associated with a greater risk of becoming NEET, including low attainment, truancy, exclusion, teenage parenthood and having a learning difficulty and/or disability. It is expected that Youth Engagement Fund bids will focus on the most disadvantaged young people rather than those who spend a short time NEET whilst in transition between other activities.
8. The Government's overall aim for all 16-17 year olds in England is to participate in education or training so that they can build the skills and qualifications they need for sustainable employment. We will be raising the age to which all young people participate in learning to 18 in 2015. This can be through a variety of routes including full time education, apprenticeships or full time work alongside part-time training.
9. The purpose of the Youth Engagement Fund is ultimately to improve employment prospects for young people by supporting disadvantaged 14-17 year olds to participate and succeed in education or training in order to achieve better employment outcomes and reduce their likelihood of offending. The Fund aims to support up to 18,000 young people in over 100 schools.
10. We know that a number of things can help young people move closer to employment including reduced levels of truancy, improved literacy and numeracy, progression into further education and training or an apprenticeship. In recognition of the fact that it could take some years to track the final employment outcomes for young people, the Youth Engagement Fund will pay for a series of proxy intermediate outcome measures based on those used in the [Innovation Fund rate card](#). We are revisiting the Innovation Fund rate card to ensure that the outcome definitions and pricing are up to date and will include further details on these in the final bidding documentation.
11. We will examine the effectiveness of the Youth Engagement Fund by commissioning an independent evaluation.

Bidding arrangements

12. We will run one Youth Engagement Fund bidding round and we expect to award between 4 and 10 contracts in total. This will depend on the quality of bids, the financial liability of the outcome payments and the level of local contributions

⁵ Coles et al (2010) *Estimating the life-time cost of NEET: 16-18 year olds not in Education, Employment or Training*

from schools, local authorities and/or other local funders who have an interest in preventing young people from becoming NEET.

13. There is no minimum funding requirement for Youth Engagement Fund bids, although all projects must be of sufficient size to be properly evaluated against the agreed outcome measures and wider Youth Engagement Fund success measures. As we want to run a number of projects in order to test different arrangements, we will not consider projects with a financial liability (based on all outcomes being achieved) to the Fund in excess of £2 million per year. Each project will run for up to three years.
14. We also fully expect bids under the Youth Engagement Fund to include a financial contribution to projects from at least one other source. This may be from schools/academies, local authorities or others interested in supporting projects that improve outcomes for young people (for example Clinical Commissioning Groups or Police and Crime Commissioners).
15. We are seeking Youth Engagement Fund proposals from Social Investment Partnerships comprising one or more Investor and one or more Delivery Body and one or more 'Co-Commissioner' (i.e. local body contributing financially to the project). In some cases, particularly where Social Impact Bonds are used, an Intermediary may also be involved.
16. The Fund will pay the Investors or Intermediaries solely on basis of outcomes achieved. The Delivery Bodies will receive funding from the Investors or Intermediaries to cover their full delivery costs so they do not have to take the outcome risk.
17. We are interested in testing a range of different investment models including Social Impact Bonds as well as single investment arrangements. The need to test different models may be a factor in the final selection of bids.
18. Whatever investment model is used, the Investors/Intermediaries will need to underwrite the full delivery costs and take the risks of payment by outcomes. Investors and Intermediaries will not have a direct role in delivery, but they will be able to provide management and systems support to the Delivery Bodies.
19. The Delivery Bodies are likely to be smaller organisations, with many of them (but not necessarily all) from the voluntary, community and social enterprise (VCSE) sector with the skills and experience to deliver services to the most disadvantaged young people.

Why use Social Investment models?

20. The Government is determined to transform the lives of the most vulnerable people in society and break the cycle of poverty. We want to help people to tackle the barriers that prevent them from working or that can impact on their long-term employment prospects.

21. Government also wants to ensure, as part of its public service reform agenda, that we put our relationship with providers of services on the clearest possible footing and that we focus those we work with on the outcomes we really want. This means paying service providers for the outcomes they deliver: payment by results.
22. Under a payment by results (PbR) contract government agrees to pay a service provider if, and only if, it achieves certain agreed results. This means that the service provider must cover the initial costs of delivering services. Many potential providers find this difficult, particularly social enterprises and charities, as they often do not have the capital available to provide services in advance of being paid. Social investment and, in particular, social impact bonds, are a way to bridge this gap by enabling socially-minded investors to fund the provision of a service delivered by a social enterprise or charity on the basis that they will receive a return on their investment from government if the service delivers the results specified in the PbR agreement.
23. Some social investment models, particularly social impact bonds, may involve an Intermediary. The role of the Intermediary can include developing the investment arrangements and working with investors and delivery organisations to agree and support the arrangements. The Intermediary may also hold the contract with the commissioner and pass on returns to the investors.

What type of bids are we looking for?

24. We are looking for bids that support disadvantaged young people aged 14-17 years who are at risk of becoming NEET, including those at increased risk of offending behaviour. We will not prescribe to bidders who they need to focus on but expect bidders to develop a convincing proposal and rationale. However, evidence shows that there are groups of vulnerable young people who are at particular risk of poor outcomes associated with becoming long term NEET and so have poor life chances. These include young people who:
 - 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 a history of offending or who have not offended but are being worked with by their local Youth Offending Team;
 - have no fixed abode;
 - have used drugs;
 - are refugees;
 - are in care or are care leavers; and
 - have a learning difficulty and/or disability.
25. We will consider bids for any geographical areas in England with the exception of areas already covered by projects funded through the second round of the

Innovation Fund⁶. We will expect to see a strong rationale as to why bidders have chosen a particular area.⁷

26. We do not want Youth Engagement Fund provision to duplicate existing programmes or funding arrangements: the provision needs to be genuinely innovative and deliver support to individuals which would not otherwise be available to them. We will therefore expect bidders to demonstrate that their proposal will add value to existing provision and avoid any duplication with other programmes commissioned by government at either national or local level.

Timescales

27. We envisage opening the Youth Engagement Fund for initial applications in July. Following initial application, shortlisted bidders will be invited to submit full proposals in early autumn, with contracts awarded in early 2015. As part of this process we will hold at least two bidder information events in July to provide additional information on the Fund:

Activity	Date
YEF open for initial applications	July 2014
YEF initial application information events	July 2014
Shortlisted bidders invited to submit full proposals	Autumn 2014
Contracts awarded	Early 2015

Partnership discussions

28. We recognise that many of you will want to begin discussions quickly with potential partners. We will ensure that time is made available at the bidding events for you to network and we will also publish lists of all attendees from those events along with information on whether they are investors, co-commissioners, delivery bodies or intermediaries.
29. Those bidders who are shortlisted to develop a more detailed proposal will need to work closely with local stakeholders when developing the detailed arrangements to ensure that their proposal fits with local delivery.

Further enquiries

30. We will provide more information on the Youth Engagement Fund when we

⁶ Innovation Fund Round Two projects are being delivered in: Greater Manchester; Thames Valley; and West London (There is also an Innovation Fund Round Two Project in Cardiff and Newport, but the Youth Engagement Fund will only cover England). These areas are excluded for analytical reasons (a similar SIB in the same areas would affect our ability to evaluate the Innovation Fund and the forthcoming Youth Engagement Fund). We are also exploring whether we need to exclude other areas where there are projects underway that will affect our ability to evaluate the Youth Engagement Fund.

⁷ DfE publishes quarterly statistical information on the number of 16-18 year olds known to be NEET in England. The most recent release (Quarter 4 2013, published 27 February 2014) is available here: <https://www.gov.uk/government/collections/statistics-neet>

publish the bidding documents in July and at the bidder events. If you would like to register your interest in the Youth Engagement Fund and receive updates when the fund is opened for initial applications please email yef@cabinet-office.gsi.gov.uk. Please note that this mailbox will be closed once the formal bidding process for the Youth Engagement Fund begins and all questions will be dealt with through the formal Q&A process.