

CABINET MEETING –18 JULY 2012

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

DEPARTMENT FOR WORK AND PENSIONS (DWP) INNOVATIONS FUND BID

Author(s):

Executive Director Children's Services

Purpose of Report:

The purpose of this report is to describe an opportunity to bid for funds, in partnership with Northumberland County Council, from the Department for Work and Pensions (DWP) to improve outcomes for the 14-16 year old cohort of young people who at risk of not participating in Education, Employment and Training (NEET).

The report also seeks approval for the Council to act as the social investor for the Sunderland cohort of young people (with Northumberland acting as the social investor for their respective cohort) and explains the implications of this position should Cabinet approve.

Description of Decision:

Cabinet is recommended to:

- (i) Approve that Sunderland City Council act as Social Investor for the joint bid with Northumberland County Council to the Department for Work and Pensions Innovations Fund with an initial investment of £300,000 in respect of the Sunderland cohort of 14-16 year olds at risk of becoming NEET;
- (ii) Consider the implications of this position.

Is the decision consistent with the Budget/Policy Framework? *Yes/No

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

NEET figures are rising in Sunderland (10.4%) and current funding mechanisms to support NEET such as the European Social Fund (ESF) are ending in December 2012. This bid provides the potential to reduce NEET figures and the longer term impacts for young people of economic disadvantage. It also provides an opportunity to work in partnership with Northumberland County Council and to trial the social investment model of funding.

Alternative options to be considered and recommended to be rejected:

At Expression of Interest stage the proposal was that schools, rather than the two Councils, act as social investors for the Innovations Fund investment. It was very recently confirmed that this approach was no longer possible and there has been insufficient time in preparing for the 29th June submission to attract an alternative social investor. If the tender application is successful it is suggested that there is no alternative option in the first instance to the two Councils acting as social investors. However it may be possible as the project progresses to attract other social investors to invest in the Innovations Fund.

Impacts analysed:

Equality Privacy Sustainability Crime and Disorder

Is this a “Key Decision” as defined in
the Constitution? Yes

Is it included in the Forward Plan?
No

Scrutiny Committee:

DEPARTMENT FOR WORK AND PENSIONS (DWP) INNOVATIONS FUND BID

REPORT OF THE EXECUTIVE DIRECTOR CHILDREN'S SERVICES

1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to describe an opportunity to bid for funds' in partnership with Northumberland County Council, from the Department for Work and Pensions (DWP) to improve outcomes for the 14-16 year old cohort of young people who at risk of not participating in Education, Employment and Training (NEET).
- 1.2 The report also seeks approval for the Council to act as the social investor for the Sunderland cohort of young people (with Northumberland acting as the social investor for their respective cohort) and explains the implications of this position should Cabinet approve this.

2. DESCRIPTION OF THE DECISION

Cabinet is recommended to:

- (i) Approve that Sunderland City Council act as Social Investor for the joint bid with Northumberland County Council to the Department for Work and Pensions Innovations Fund with an initial investment of £300,000 in respect of the Sunderland cohort of 14-16 year olds at risk of becoming NEET;
- (ii) Consider the implications of this position.

3. BACKGROUND

- 3.1 The numbers of young people who are NEET is rising nationally and locally. In Sunderland the latest figures show a rise from 9.3% to 10.4% over a 12 month period, at the same time as a range of measures of support are coming to an end. In May 2011, the Government announced a package of measures to help address youth unemployment. These included a new Innovation Fund, managed by the Department for Work and Pensions, of up to £30 million over 3 years. Under Round 2 of the Innovation Fund, launched in March 2012, a joint proposal was submitted by Sunderland City Council and Northumberland County Council. This outline application was successful and a more detailed tender application was submitted on 29 June 2012.
- 3.2 The Fund has been developed to pilot a small number of social investment projects, whereby social investors are asked to agree to underwrite the cost of delivery at the start of the project. Depending on the precise funding model adopted, and performance during the project, it is expected that each social investor will recoup their initial investment, and benefit from both a social and financial return.
- 3.3 The Sunderland/Northumberland proposal will aim to work with approximately 500 young people aged 14-16 at risk of disadvantage, to reduce the prospects of them being or becoming long term NEET (Not in Employment, Education or Training). In particular, we expect that the project will target vulnerable young people who face a range of issues such as:

- Projected low attainment in Key Stage 4
- Young people who are carers
- Children who are looked after or in care or care leavers
- Pupils with special educational needs and learning disabilities
- Pupils with attendance and/or behaviour issues
- Those who are supervised by the Youth Offending Team
- Those with family issues – receiving support from family intervention projects or a parent or sibling in custody or with substance misuse issues

3.4 Disadvantaged young people are a very diverse group with a variety of needs. A range of factors are associated with a greater risk of becoming NEET, including low educational attainment, truancy, exclusion, teenage parenthood and having a learning difficulty and/or disability. The aim of the proposal is to focus on innovative ways of addressing the issues and barriers which lead to young people becoming NEET.

3.5 The Innovation Fund funding model is a 'payment by results' mechanism by which the DWP will pay the social investor based upon the achievement of specified outcomes. Within this proposal, the outcomes that will be measured relate to the improved attendance, behaviour and performance of the whole target group as well as entry to training and employment post 16 at differentiated levels.

3.6 The role and commitment of the social investor is crucial to the success of the proposal and required that investors meet the following criteria:

- Are willing and able to underwrite the full delivery costs and take the risks of payment by outcomes.
- Should not have a direct role in delivery and must be separate legal entities from the delivery organizations.
- Provide front loaded funding for the project;
- Provide management systems support to the delivery bodies.

4. CURRENT POSITION

4.1 As the social investor cannot also be the delivery organisation, a range of delivery organisations, including voluntary organisations will be commissioned to deliver the services to young people. All of the costs incurred by the delivery bodies will be met by the investors who will monitor performance through a project board to ensure that the outcome payments are justifiable and that both a social and financial return on the investment is achieved.

4.2 Many of the risks attached to engaging with this programme are with the social investors. However, experience of working with similar target groups of young people, particularly through the European Social Fund Bid (ESF) has shown that risks can be managed to ensure the programme is successful and that high volume targets (such as increased attendance) can be increased low volume/ higher cost if targets such as entry into employment prove more difficult to achieve. Appendix 1 gives an illustration of the potential return on investment of specific interventions. Furthermore, delivery structures in Sunderland and Northumberland are well developed and there are significant assets – training locations, specialist staff, ICT facilities, strong employer engagement – that can be utilised to ensure outcomes are achieved.

- 4.3 The outcome of the tender application will be known by September 2012.

5. REASONS FOR THE DECISION

- 5.1 NEET figures are rising in Sunderland (10.4%) and current funding mechanisms to support NEET such as the European Social Fund (ESF) are ending in December 2012. This bid provides the potential to reduce NEET figures and the longer term impacts for young people of economic disadvantage. It also provides an opportunity to work in partnership with Northumberland County Council and to trial the social investment model of funding.

6. ALTERNATIVE OPTIONS

- 6.1 At Expression of Interest stage the proposal was that schools, rather than the two Councils, act as social investors for the Innovations Fund investment. It was very recently confirmed that this approach was no longer possible and there has been insufficient time in preparing for the 29th June submission to attract an alternative social investor. If the tender application is successful it is suggested that there is no alternative option in the first instance to the two Councils acting as social investors. However, it may be possible as the project progresses to attract other social investors to invest in the Innovations Fund.

7. IMPACT ANALYSIS: CRIME AND DISORDER

- 7.1 Young people who are NEET or at risk of NEET may also be at risk of anti-social behaviour. One of the outcomes of this project will be to assist in the reduction of crime and disorder.

8. FINANCIAL IMPLICATIONS

- 8.1 It is proposed that the Council consider acting as a social investor to underwrite initial investment of £300,000 in 2012/13 for the Innovations Fund, should the tender application be successful. Northumberland County Council will separately fund their element of this which is £150,000. It is suggested that for Sunderland, the Innovations Fund could potentially be linked to funding associated with the Strengthening Families Initiative given that this initiative is working with the same client groups.
- 8.2 The estimated return on investment is 31%, linked to delivery of the outcomes. The mitigation of the risks to achieve this income is described at 4.2 of this report. A broad model indicating how the funding model works is shown below:

Year	Council Investment	Payment by results receipt	Net cost/gain to Council	Cumulative Gain
1	300,000		300,000	-300,000
2	300,000	400,000	100,000	-200,000
3	300,000	400,000	100,000	-100,000
4		400,000	400,000	+300,000

The table demonstrates that at the end of the 4 year period the investment delivers a financial net gain of £300,000 (simple 33%) as well as delivering improved outcomes as a result of the interventions.

9. RELEVANT CONSULTATION

- 9.1 Schools have been consulted in both local authorities as have delivery organisations including the voluntary sector.

10. BACKGROUND PAPERS

- 10.1 DWP Innovations Fund Guidance to bidders.

APPENDIX 1

DRAFT FUNDING MODEL - SUNDERLAND CITY COUNCIL AND NORTHUMBERLAND COUNTY COUNCIL							
(assumptions are based on up to 500 young people over 3 years)							
Outcomes by age group	Targets	Unit cost per outcome (60%)	Total Payments	Estimated delivery cost	Total Payments	Estimated income for reinvestment (per unit)	Total income (all units)
Aged 14 – 15							
Improved attitude to school	280	£420	£117,600	£400	£112,000	£20	£5,600
Improved attendance at school	500	£840	£420,000	£500	£250,000	£340	£170,000
Improved behaviour at school	500	£780	£390,000	£650	£325,000	£130	£65,000
QCF accredited entry level qual (below GCSE)	250	£540	£135,000	£450	£112,500	£90	£22,500
Aged 16+							
Improved attitude to school / education	220	£420	£92,400	£400	£88,000	£20	£4,400
Basic skills	200	£540	£108,000	£450	£90,000	£90	£18,000
Level 1 NQF or equivalent (Foundation)	250	£660	£165,000	£600	£150,000	£60	£15,000
Level 2 NQF or equivalent	45	£1,980	£89,100	£1,300	£58,500	£680	£30,600
Level 3 NQF or equivalent	30	£3,060	£91,800	£2,000	£60,000	£1,060	£31,800
Entry into first employment (16+ hours per week) with training element	50	£3,300	£165,000	£2,000	£100,000	£1,300	£65,000
Total payments (outcome income generated)			£1,773,900	Estimated total expenditure	£1,346,000	Estimated total income for reinvestment	£427,900
Average cost per participant			£3,547.80		£2,692.00	Surplus unit cost	£855.80
Note: The total cost of outcomes payable to each individual participant cannot exceed £11,700. This figure is calculated as a proportion of the cost of out of work benefits to a young person over a 3-year period. There are no minimum or maximum number of payable outcomes - in some cases, there might be the potential to claim 6 or 7 outcomes per participant.						Surplus (% delivery costs / outcome payments)	
						31.79%	

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