

REQUEST FOR PROPOSALS: Social impact investments

Proposals must be submitted on
<https://tenders.nsw.gov.au/>

by 9:00am AEST on 12 December 2016

*Office of Social
Impact Investment*



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Any information given to a proponent to clarify any aspect of this RFP will also be given to all other proponents if, in the opinion of the Office of Social Impact Investment, it would be unfair not to do so.

1. BACKGROUND

The NSW Government believes social impact investment has the capacity to deliver better services and results, better partnerships between the government and non-government sectors, and better value for taxpayers. The NSW Government seeks suitably skilled and experienced partners to achieve better social and financial outcomes for individuals and communities in NSW through social impact investment.

1.1 Policy context

As part of the Social Impact Investment Policy, the NSW Government aims to deliver two investments to market each year

On 4 February 2015, the NSW Government launched its [Social Impact Investment Policy](#) ('the policy'). The policy builds on the success of the NSW Government's social benefit bonds and sets out the Government's intent to support a broader social impact investment market in NSW. A key action in the policy is to aim to deliver two social impact investments to the market each year.

The NSW Government has implemented three social impact investments and negotiations for three more are in progress

Since 2013, the NSW Government has implemented three social impact investments:

- the Newpin social benefit bond to help expand an intensive, therapeutic support program delivered by Uniting to safely restore children in care to their biological families
- The Benevolent Society social benefit bond to deliver the Resilient Families Service, which aims to prevent at-risk children from entering care
- the On TRACC social impact investment to deliver an intensive support program to help parolees successfully reintegrate into the community following their release from prison.

Following two requests for social impact investment proposals (RFPs) in 2015, the NSW Government is also negotiating other investments to improve outcomes for vulnerable young people, and people with chronic and mental health conditions.

Three focus areas for this RFP have been drawn from the 2016 Statement of Opportunities and the NSW 2016-17 Budget

As part of the policy, the NSW Government is committed to periodically identifying policy areas in which it believes there are opportunities to achieve better outcomes through social impact investment. This year, policy areas were identified in both the [2016 Statement of Opportunities](#) and [NSW 2016-17 Budget](#).

The Office of Social Impact Investment ('the OSII') hosted three market sounding sessions in July 2016, which were well attended by service providers, intermediaries, financiers and others. Based on feedback from these sessions, this RFP invites proposals in three focus policy areas:

- increasing permanency for children in out of home care, particularly through open adoption
- improving outcomes through early childhood education
- addressing youth unemployment.

While the Statement and materials from the market sounding sessions outlined potential outcomes and target cohorts in the focus areas, proposals that suggest variations on these are also invited. Proposals in areas other than those identified in this RFP will also be considered, though these will need to meet the evaluation criteria (refer [Section 3](#)) to a very high standard. Such proposals must be evidence-based and align with current NSW Government priorities.

It is also important to note that proposals are not limited to social benefit bonds. The NSW Government is open to and encourages proposals for other investment models that involve risk sharing among participants and one or more of the following:

- payment by results contracts
- incentive payments
- layered investments
- pooled investments (refer to the policy for more detail).

 Refer to [Appendix A to C](#) for further information on the focus policy areas.

1.2 Purpose of this document

The purpose of this document is to:

- outline the background to the RFP
- define terms, conditions and processes for submitting a proposal
- explain the anticipated process and timeframe for evaluating proposals and selecting the preferred proponent(s)
- guide proponents on information they should include in their proposals
- provide information on the focus policy areas to help prepare proposals.

1.3 Governance of the RFP process

The RFP process will be overseen by a steering committee of senior officers from the Department of Premier and Cabinet, The Treasury and other NSW Government agencies responsible for human services ('line agencies').

The steering committee will appoint an evaluation panel ('the panel') to assess all proposals received through the RFP process. The panel will assess proposals against the evaluation criteria set out in this document (refer [Section 3](#)). During the assessment process, the panel may ask proponents to clarify aspects of their proposal or provide more information. The panel may also contact other government agencies to verify a proponent's capability (i.e. reference checks).

The panel will then submit an evaluation report to the steering committee, which may recommend one or more proposals received through this RFP that should proceed to the joint development phase (JDP). The steering committee may then endorse that recommendation to the NSW Government to enter into a JDP agreement with one or more proponents.

2. CONDITIONS OF SUBMITTING A PROPOSAL

2.1 Eligibility to respond

Proposals must be submitted by a legal entity (or entities in the case of a joint proposal) with the capacity to contract. Where there is a joint proposal, references to a proponent or preferred proponent includes all parties to the proposal.

The NSW Government will only enter into an agreement with an entity that has an Australian Business Number (ABN) and is registered for GST. Proponents must state their ABN and GST status in their proposals.

A proponent may submit more than one proposal. Each proposal will be considered independently of other proposals submitted by the one proponent. Similarly, intermediaries and other consultants are permitted to be party to more than one proposal, provided there are adequate processes in place to manage conflicts of interest.

2.2 Process to develop and implement a transaction

The process for developing and implementing a social impact investment with the NSW Government includes:

1. Request for proposal (RFP)

This RFP seeks innovative proposals for social impact investments to deliver better services and/or infrastructure, and improved social and financial outcomes for individuals and communities in NSW. All proposals will be assessed against evaluation criteria (refer [Section 3](#)) by an evaluation panel. The panel will identify the strongest and most compelling proposal, or proposals, which meet the evaluation criteria to a standard that indicates an investment that represents good value is likely following joint development. The panel may recommend one or more such proposals to the steering committee. The steering committee may then endorse that recommendation to the NSW Government to enter into a JDP agreement with one or more proponents. Proponents will be notified in writing of the outcome of their proposals by May 2017.

2. Joint development phase (JDP)

The preferred proponent will be invited to enter into a JDP with the NSW Government. As the contracting entity, the relevant line agency is likely to lead the JDP, with support from the OSII.

The purpose of the JDP is to develop proposals to a level suitable for contracting. This stage features a high degree of collaboration and negotiation to develop an investment structure that satisfies all parties. Matters expected to be negotiated during this JDP are set out below (see below, [Implementation Agreement](#)).

A JDP agreement between the preferred proponent and the NSW Government will be finalised and entered into prior to the start of the JDP. The JDP agreement will govern the terms of the

relationship between the preferred proponent and the NSW Government, and will address matters including:

- ownership of any intellectual property generated during the JDP
- the process for negotiating and reaching agreement on the Implementation Agreement (see below, [Implementation Agreement](#))
- the dispute resolution process
- termination and the sharing of information between the preferred proponent and NSW Government.

A [sample JDP agreement](#) is available on the Office of Social Impact Investment website. Please review this document carefully before you submit your proposal as you will be expected to sign the JDP agreement as written should you be selected as the preferred proponent. Please identify in your proposal any concerns you may have with the standard terms of the agreement.

The JDP is intended to begin once the preferred proponent is approved, advised in writing, and returns a signed JDP agreement to the NSW Government. The NSW Government estimates the JDP will take about six months.

At the end of the JDP, the NSW Government negotiating team (likely to comprise of the relevant line agency and the OSII) will review and reassess the final proposal against the evaluation criteria of this RFP and recommend to the steering committee whether to proceed with implementation. The committee will then decide whether to endorse the recommendation to the NSW Government for approval to enter into an Implementation Agreement with the preferred proponent.

If a proposal is subsequently shown to be unviable through the JDP, another proposal from the RFP process may be brought forward and a further JDP agreement negotiated with the relevant proponent. However, the NSW Government may instead decide to open the next RFP. In this case, proposals from previous RFP rounds may be resubmitted.

Any costs, losses or expenses incurred by proponents during the RFP and JDP processes must be met by the proponent themselves. Such costs include, but are not limited to, expenses incurred by the proponent in preparing and submitting its proposal(s), attending meetings and providing further information, or engaging advisors.

 Refer to the [Office of Social Impact Investment website](#) for a sample JDP agreement and Implementation Agreement.

Note: Selection as a preferred proponent through the RFP process and entering into a JDP agreement with the NSW Government is not a guarantee of proceeding to an Implementation Agreement.

The likely social impact and relative value for money of proposed investments will be crucial in determining whether to proceed with implementation. Proposals must represent an effective use of public funds, relative to other non-social impact investment funding options available to the NSW Government for the same improvement in outcomes.

3. Implementation agreement

An Implementation Agreement will be negotiated with the preferred proponent as part of the JDP. The Implementation Agreement is expected to include:

- details of the target cohort, including location and referral arrangements
- contract duration and any extension provisions
- ownership of intellectual property from the transaction
- details of targets, comparison groups and other measurement arrangements
- payment triggers
- a payment schedule covering all performance scenarios (expected, below expected, good performance and over-performance)
- allocation of risk between parties to the investment
- dispute resolution provisions including a mechanism to resolve client issues
- break clauses for all parties
- any options for re-contracting at the conclusion of the contract term
- details of any evaluation.

The relevant NSW Government agency will enter into an Implementation Agreement with the preferred proponent following approval by the NSW Government. A sample JDP Agreement and Implementation Agreement, along with other sample legal documents that may be needed for social impact investments with the NSW Government, are available on the [Office of Social Impact Investment website](#). These documents have been developed based on the NSW Government's experience with social benefit bonds. The NSW Government envisages that any negotiation in relation to the terms of these documents will be limited and will only arise where the nature of the particular arrangement necessarily requires it.

3. EVALUATION

Proposals will be assessed against the evaluation criteria listed below. Proposals will need to address all criteria to a high standard to be considered suitable for a social impact investment. The first criterion is particularly important.

 For more information and advice on responding to the criteria, please refer to:

- [Principles for social impact investment proposals to the NSW Government](#), which discusses the evaluation criteria.
- [Technical guide for outcomes measurement](#), which will support proponents to develop a rigorous measurement framework and financial basis for their proposal.

Evaluation criteria

1. Demonstrates social impact (PASS / FAIL)
 - Measurable individual or community social benefits will be delivered

2. Robust measurement
 - Clear and reliable outcome measures
 - Well defined client group
 - Addresses an unmet need
 - Robust methods for determining performance

3. Value for money
 - Composition of benefits
 - Who receives the benefit
 - Proportion of benefits achieved during the contract
 - Where the program falls on the service spectrum (i.e. prevention, early intervention, acute)
 - Benefit-cost ratio

4. Likely to achieve outcomes
 - Evidence of program effectiveness
 - Program logic
 - Evidence of proponent achieving stated outcomes
 - Degree of change required / time to reach full service delivery, including a high level implementation plan
 - Demonstrates capacity to deliver, including IT systems, financial management, capability, geographic spread
 - Demonstrates innovation compared to business as usual

5. Sharing of financial risk and return
 - Appropriate composition of financial risk sharing in various performance scenarios

3.1 Delivers social impact

Proposals will be subject to a pass or fail assessment of whether they demonstrate social impact that is achievable and can be measured in terms of individual or community social and financial benefits. Proposals should clearly describe the service to be delivered, and explain the issue or unmet demand the proposal intends to address and how the service delivery model will operate. The proposal must also clearly identify the social and financial benefits it aims to deliver.¹

For example, a proposal to improve records management and reduce administrative burden may deliver cash savings and efficiencies to a NSW Government agency, but will not result in social benefits to individuals. Such a proposal will fail the social impact assessment and will not proceed further.

Alternatively, a proposal to improve road quality and safety, leading to reduced accidents and use of public health services, will deliver financial benefits to the NSW Government *and* social benefits to individuals and communities. This type of proposal is likely to pass the social impact assessment and then be assessed against remaining criteria.

3.2 Robust measurement

Social impact investment proposals should include a measurement framework that satisfies investors, the NSW Government and the proponent that outcomes and associated payments can be accurately quantified and, if appropriate, independently verified. The capacity to measure outcomes will be an important indicator of the proposed investment model's viability.

The measurement framework should outline:

- **Clear and reliable outcome measures.** Outcome measures are the basis for making payments to service providers and/or investors. Proponents should include measures that are closely linked to the social and financial benefits the proposal aims to deliver. If client outcomes have not been captured for a satisfactory historical period, proponents can consider reliable proxy measures. Proponents should demonstrate how the chosen proxy measures are linked to the expected social and financial benefits of the proposal. Binary measures may maximize reliability and reduce the risk of dispute, but graduated measures are also possible and will be considered. Proponents should consider the availability of reliable data in the proposed area, the costs and practical steps of collecting that data, and whether data can be accessed by or shared with existing NSW Government IT systems.
- **A well-defined client group.** Proposals should outline clear and objective eligibility criteria for the proposed client group ('intervention group'). Be specific about the characteristics of the proposed intervention group, including age, location, and demographics (e.g. juvenile offenders, people with a disability, Aboriginal people). Proposals should suggest an efficient and objective referral process, and outline how outcomes will be measured for all clients who are referred, including those who refuse to participate. The intervention group should be able to be identified through existing NSW Government IT systems or with limited changes to existing IT systems. Proponents should also specify if their proposal **addresses an unmet need** or

¹ In this instance, 'social benefits' refer to the positive effect on a client or client group that can be reasonably attributed to their involvement with a service or program. 'Financial benefits' could include immediate cash savings to the government, or avoided costs or productivity gains. More detail on the nature, timing and recipients of benefits of proposals is outlined in [section 3.3](#) (below).

targets those not currently accessing services. Proposals that replace an existing service(s) will be considered as long as they do not disadvantage clients of current services (e.g. by applying more stringent eligibility criteria and reducing the number of clients that can access the service), improve on the efficiency and effectiveness of current services, and can be sufficiently scaled.

- **Robust methods for determining performance.** Proposals should build into the methodology a matched or randomised comparison group (who do not receive the service), which is subject to the same eligibility criteria as the intervention group. This is so outcomes can be attributed to the proposal and minimise the influence of other environmental factors. Options for assessing performance, in order of robustness (and preference), include:
 - (i) random selection of the comparison and intervention group from the same population
 - (ii) a 'real time' or live comparison group with similar characteristics
 - (iii) a comparison group created using a one to one matching process at the time of referral
 - (iv) a rolling average performance baseline
 - (v) an historic or static performance baseline.

Proposals should include intervention and comparison groups that are large enough to be statistically reliable and correctly detect an effect. They should also specify the period during which outcomes will be measured.

The measurement framework is open to further discussion, clarification and negotiation during the JDP. Proposals need not include 'gold standard' frameworks but must show evidence of considering the above elements.

 For more guidance on robust methods for determining performance, see the [Technical guide for outcomes measurement](#).

3.3 Value for money

Just as for infrastructure and commercial investments, social impact investment proposals should only proceed when expected benefits outweigh costs. All measurable benefits – financial, economic and social – can be used to support a business case for a proposal. Proposals should outline:

- **The composition of financial benefits.** Proposals must identify the intended financial benefits, and how and when they will be achieved. Where possible, benefits should be quantified in dollar terms as this will help calculate the benefit cost ratio (see below), and show how financial returns and other payments will be funded. For example, immediate cash savings to the NSW Government are among the most straightforward ways of funding these costs. *Ideally, cash savings should be sufficient to cover the set-up and delivery costs of the service, transaction costs, and returns to the NSW Government and investors* (if relevant). Proposals should also identify indirect benefits and how they contribute to value for money relative to direct NSW Government service provision.
- **Who receives the financial benefits.** Proposals should identify who receives the economic and social benefits, including government agencies (local, state and Commonwealth), communities and individuals. Where possible, proposals should indicate to which agencies or levels of government specific benefits will accrue as a result of the intervention. *However, only financial benefits that accrue to NSW Government agencies can be used to offset payments to*

investors or service providers.

- **Proportion of financial benefits achieved during the contract period.** Proposals should clearly state the total social and financial benefits that are expected to result from the service and investment both during and after the contract period. Benefits achieved by preventative and early intervention proposals may not be visible for some time. In this case, proposals must show what is expected to be achieved during the proposed contract period. Where possible, proposals should demonstrate that benefits deliver a positive net present value (NPV) during the term of the contract. Over time, maximum benefits will come from scaling transactions to cover the billions in base social service expenditure rather than just incremental new pilots. Proposals should demonstrate the ability to achieve scale through the proposed service or over time should the proposed investment prove successful.
- **Where the intervention falls on the service spectrum.** Proposals should identify the type of service or intervention that will be delivered (i.e. prevention, early intervention, secondary prevention or acute). Proposals likely to deliver the greatest social benefits and savings to the NSW Government are anticipated to be those that prevent or reduce the need for acute, high cost services in the future.
- **Benefit-cost ratio.** The NSW Government prefers social impact investment proposals that demonstrate the financial benefits of the investment are likely to be greater than the total costs. While the financial outcomes of the transaction will not be agreed until the JDP, proposals that include sufficient financial modelling to demonstrate *a likely benefit-cost ratio greater than 1:1* will be well regarded. Please note that proposals should provide the inputs and assumptions required for calculating a benefit-cost ratio in addition to an estimated ratio.

3.4 Likely to achieve outcomes

Proposals should clearly describe the service to be delivered, including an explanation of the unmet demand or service delivery gap the proposal intends to address and how the service delivery model will operate. Proposals should also demonstrate the effectiveness of both the service and the proponent in delivering the stated outcomes. This should include:

- **Evidence of program effectiveness and program logic.** Proposals should include a review of evidence of the program or service's effectiveness in achieving outcomes. Ideally, this will include the results of multiple, independent evaluations of the service or program (or its components). A sound program logic should also be provided. In all cases, proposals should demonstrate how the service or program incorporates nationally or internationally accepted principles for successful interventions in the policy area (refer to Appendices for examples of intervention principles in the focus policy areas). Robust evidence of the likelihood of achieving outcomes will reduce risk and make the proposal more attractive to the NSW Government and investors (if relevant).
- **Evidence of proponent achieving stated outcomes.** Proposals should demonstrate the proponent's ability to successfully implement the program at a scale required to achieve the intended outcomes. This could include providing supporting evidence of delivering similar programs and achieving agreed outcomes, and effectively managing partnerships with government, investors or other partners.
- **Degree of change required / time to reach full service delivery.** Proposals should

demonstrate that full implementation is achievable in an appropriate timeframe and with minimal change to existing systems and processes for the NSW Government and proponent.

- **Demonstrates capacity to deliver.** Proposals should clearly demonstrate capacity and capability to administer all aspects of the proposed investment, including service delivery, managing partnerships, and data collection. Proponents should consider IT systems, financial management, staff capability, and geographic spread. This is particularly important where the service or program is new and untested and/or where the proposal involves a recently negotiated partnership.
- **Demonstrates innovation compared to business as usual.** While providing an evidence base is important to demonstrate the likelihood of achieving stated outcomes, innovation is also a desirable element of proposals. In this instance, innovation can be untested and catalytic or incremental. Proponents should also demonstrate their ability to continually assess and adapt services to achieve the best results. If the program is untested, or the proponent's ability to deliver is unproven, the risk-return profile for participants will need to be carefully considered (see below).

3.5 Sharing of financial risk and return

Overall, the proposal should demonstrate that the sharing of risk and return is appropriately balanced between investors (where appropriate), the proponent and the NSW Government. Proposals should outline:

- **Appropriate composition of financial risk sharing in various performance scenarios.** Proposals must outline the intended risk/return profile for each participant in the investment, considering the risk appetite of all parties and potential returns. The NSW Government prefers that the majority of risk is taken by investors and/or proponents, with limited financial risk borne by the NSW Government. Where private investors are involved, proposals should outline how the investment intends to deliver returns for target investors in the expected performance scenario. Scenarios in which performance is above or below that expected should also be outlined (see below for more information).
- **Proposed payment mechanisms and return structure.** Proposals should demonstrate a structure where the NSW Government payments are made depending on the outcomes achieved. Proposals should also suggest clear mechanisms to independently assess the payments due. Where investors are involved, returns will ideally reflect the length of time for which investment capital is committed, and the regularity and size of payments. The size of the principal in investments involving investors should also be considered and specified. Given the costs of raising capital, a transaction with a *principal of less than \$5 million may not be attractive for private investors*. Proposals must outline the suggested payment schedule and amounts for all possible performance scenarios:
 - (i) below expected performance
 - (ii) expected performance
 - (iii) good performance
 - (iv) over-performance.

These features will be further negotiated during the JDP, but the financial risk in the case of

below expected performance should reside mostly with investors and/or proponents.

- **Ability to finance the transaction.** Proposals must identify a funding source to support the costs of the investment (including financial returns to investors, where relevant). This might include one or a combination of the following:
 - (i) savings to NSW Government from successful prevention services
 - (ii) revenue from other government or philanthropic payments
 - (iii) sales of goods or services
 - (iv) other returns from assets (e.g. rental income).

Where relevant, proposals should demonstrate sufficient investor interest and a market-based risk/return profile, with the capacity to market the product effectively to the target investors.

Ideally, financial modelling should show that the NSW Government and the proponent at least break even at expected performance levels. Indirect financial benefits, such as productivity gains, are generally unable to directly fund investment costs. However, they are still important and while more complex than other benefits, may be used to support proposals with significant social benefits.

Proponents could consider working with an intermediary to structure the investment. As with the measurement framework, the breakdown of risk and return will be further discussed and negotiated during the JDP.

Government standing charges

With many international bond models, all risk is transferred to investors. This has not been the case with social benefit bonds in NSW. Recognising the early stages of the social impact investment market, the NSW Government provided a 'standing charge' or payment to improve the risk profile for investors in the Newpin and The Benevolent Society bonds. The standing charge in the bonds is approximately 50 per cent of the service delivery costs. As the market develops and investor interest grows, a lower level of financial support from the NSW Government will likely be provided in future.

The standing charge is not a government guarantee to investors but an early payment that is deducted from the amount due from the NSW Government when outcomes are known. It may be structured as a one-off payment or as a regular payment throughout the life of the contract. It enables an appropriate risk/return profile for the investors sought in the particular proposal. It is important that standing charge arrangements give the NSW Government an appropriate risk profile in the context of the risk allocated to investors and the proponent.

4. SUBMISSION REQUIREMENTS

This RFP identifies three focus policy areas:

- increasing permanency for children in out of home care, particularly through open adoption
- improving outcomes through early childhood education
- addressing youth unemployment.

However, proposals are not limited to these policy areas or others in the 2016 Statement of Opportunities. Proposals in other areas must demonstrate how they meet evaluation criteria to a high standard (refer [Section 3](#)).

 For more guidance on what is required in proposals, please refer to the [Lessons from the 2015 requests for social impact investment proposals](#), which sets out observations and lessons from previous RFPs.

4.1 Basic conditions

In addition to meeting the social impact criterion, proposals must also meet the basic conditions set out below to be eligible for assessment:

- Proponents must provide contact details for at least two independent referees so the panel can verify the information in proposals. If possible, referees should have experience of previous work done by the organisation(s) involved in the proposal. The panel may contact referees at its discretion. If deemed necessary and justified, the panel may also seek additional referees.
- Proponents are required to disclose any existing contracts (with the NSW Government or other entities) in areas that may be relevant to the proposal.
- If selected as a preferred proponent through this RFP process, proponents must be willing to participate in the JDP according to the terms of the JDP agreement.

The panel may, at its absolute discretion, exclude proposals that fail to meet these basic conditions from this RFP process without further consideration.

4.2 Format of submissions

Proponents may submit a separate proposal, for each policy area.

Each proposal should be no longer than **30 pages in length**, including appendices or additional documentation (e.g. financial modelling). Where proposals exceed 30 pages, the panel may not consider the information contained in the additional pages. Font size is to be a minimum of 11 point and all pages must be A4. All references to money, prices and/or payments must be in Australian dollars.

A suggested structure for proposals is set out below. This is only a guide – the structure and length of sections should be tailored to the content.

a) Background information

- Details of proponents, including contact person
- Statement against basic conditions (section 4.1)

b) Summary of proposal

- Contextualise your proposal (i.e. what problem are you trying to solve?)
- Clearly describe your proposed intervention and target cohort at a high level
- Summarise the preferred structure and likely benefits of the proposal

c) Statement against the evaluation criteria

- Provide a detailed response to all evaluation criteria in as much technical detail as possible, even if you have touched on these elements in the summary of the proposal

d) Other information

- Details of independent referees
- Appendices

a) Background information

The following requested information is mandatory. Proposals must outline the organisation (or organisations) involved in the proposal, as well as key personnel who will be involved in the JDP if the proposal is successful through this RFP. Contact details must also include:

- Trading name and ABN for each organisation involved in the proposal.
- Type of legal entity for each organisation involved in the proposal.
- GST status for each organisation involved in the proposal.
- Business address for each organisation involved in the proposal.
- Details of nominated contact person for the proposal. This should be one person for each proposal who is authorised on behalf of all participating organisations to be the contact person for the proposal.
- The contact details for any advisors to the proposal and their role/responsibilities in developing the proposal.

The evaluation panel's nominated contact officer (or that officer's nominee) may contact proponents during the assessment process to clarify elements of proposals and/or seek further information. The proponent's nominated person will be contacted in the first instance for all such communication.

This section should also fulfil the basic conditions set out in section 4.1.

b) Summary of proposal

While the technical detail of proposals should be left to the statements against the evaluation criteria, proponents may wish to consider including a succinct summary that:

- provides context for the proposal, including the rationale for the proposed intervention
- clearly describes key features of the proposed intervention, including any capital asset requirements, and identifies a target cohort
- outlines expected outcomes for clients and the total financial benefits to the NSW Government

- indicates the preferred size, structure and term of the investment.

c) Statement against the evaluation criteria

Proposals will be assessed against evaluation criteria outlined in [Section 3](#). Proponents are advised to respond to all evaluation criteria listed in this RFP. Proposals that do not include a full and complete response to permit a proper assessment against these criteria and the requirements of this RFP may be excluded from the evaluation process without further consideration at the panel's discretion.

This section differs substantially from the Summary of proposal, which is intended to be a clear, succinct outline of the proposal (much like an executive summary). Detailed and technical information on all aspects of the proposal should be provided in the response to the evaluation criteria.

d) Other information

Proposals must include the details of at least two independent referees, as specified in [Section 4.1](#).

Appendices can be included as separate attachments and should be as succinct as possible as they are included in the 30 page limit. Large attachments containing key proposal information may be disregarded at the panel's absolute discretion.

4.3 Lodgement of proposals

Proposals (including all supporting information, if any) must be fully received by 9:00am AEST on 12 December 2016.

Late proposals will not be considered except where the panel is satisfied that the integrity and competitiveness of this RFP process has not been compromised. The panel will not penalise any proponents whose proposal is received late if the delay is due solely to mishandling by the NSW Government.

4. Electronic proposals

All proposals must be submitted electronically on <https://tenders.nsw.gov.au> and will be treated in accordance with the *Electronic Transactions Act 2000* (NSW).

A proponent, by electronically lodging their proposal, is taken to have accepted the conditions shown in the conditions and rules on the Department of Finance, Services and Innovation (DFS) tenders website at <https://tenders.nsw.gov.au/commerce>, and to have accepted the conditions set out in this RFP document.

Signatures are not required but the proponent must ensure that a proposal is authorised by the person or persons who may do so on behalf of the proponent, appropriately identifies the person, and indicates the person's approval of the information communicated.

Electronically submitted proposals may be made corrupt or incomplete, for example, by computer viruses. The NSW Government may decline to consider for acceptance a proposal that cannot be effectively evaluated because it is incomplete or corrupt. Proponents must note that:

- To reduce the likelihood of viruses, proposals should not include any macros, applets, or executable code or files.
- Electronically submitted files should be free from viruses and should be checked using an up to date virus-checking program before submission.

The NSW Government will not be responsible in any way for any loss, damage or corruption of electronically submitted proposals.

If a proponent experiences any persistent difficulty with the DFSI tenders website in submitting a proposal or otherwise, they are encouraged to advise the OSII promptly by email to socialimpactinvestment@dpc.nsw.gov.au.

Proponents may break down the lodgement of large proposals into smaller packages if clearly identified (e.g. Package 1 of 3) and must provide clear directions as to whether the lodgement is:

- supporting information
- a further part of the proposal that has previously been lodged.

5. Extension of closing date and closing time

The NSW Government may, in its absolute discretion, extend the closing date and closing time of this RFP.

If there is an extended defect or failure of the DFSI tenders website or e-Tendering system and the NSW Government is advised as indicated above, the closing date and closing time may be extended if the NSW Government is satisfied that the RFP process will not be compromised by such an extension.

6. Ownership of proposals

All proposals become the property of the NSW Government on submission. The NSW Government may make copies of the proposals for any purpose related to this RFP.

7. Confidentiality

Any information received by the proponent in connection with the RFP, in whatever form it is received, is confidential to the State of NSW. The proponent must not use or disclose to any person such information, in whole or in part, except to the minimum extent necessary for the purposes of preparing its proposal. The proponent may disclose such information to a bona fide independent consultant retained by the proponent for the purposes of preparing or submitting their proposal.

Without limitation, the proponent will not in any way publicise that they propose to submit or that they have submitted a proposal or the content of any proposed or submitted proposal in response to this RFP. The proponent and their personnel must not at any stage make any public statement or in any way disclose information about the RFP process or any aspect of that process, including selection for entry into any JDP or Implementation Agreement under this RFP, to any person without the express written permission of the NSW Government.

The restrictions under the above paragraphs do not apply to the extent that:

- the information is generally available to the public (other than as a result of the wrongful disclosure by the proponent)
- the information is required to be disclosed by any law or under the lawful compulsion of any court, tribunal, authority or regulatory body.

Failure to comply with these confidentiality requirements may be taken into account by the NSW Government when considering the proponent's proposal and may result in the proposal being passed over.

8. Variations to proposals

At any time after the closing date and closing time, and before the NSW Government accepts any proposal for entry to the JDP, a proponent may vary its proposal:

- by providing the NSW Government with further information by way of explanation or clarification but not by way of introducing new information, as noted below
- by correcting a mistake or anomaly
- by documenting agreed changes negotiated.

Such variation may be made either at the request of the NSW Government or with the consent of the NSW Government at the request of the proponent, but only if:

- in the case of a variation requested by the proponent to provide information by way of explanation or clarification or to correct a mistake or anomaly, it appears to the NSW Government reasonable in the circumstances to allow the proponent to provide the information or correct the mistake or anomaly
- in the case of a variation to document agreed changes negotiated, the NSW Government has confirmed that the draft documented changes reflect what has been agreed.

If a proposal is varied in accordance with the above provisions, the NSW Government will provide all other proponents whose proposals have similar characteristics with the opportunity to vary their proposals in a similar way.

The NSW Government may refuse a request to vary a proposal. Variations will not be permitted if the NSW Government is satisfied that:

- it would substantially alter the original proposal
- in the case of a variation requested by the proponent to provide information by way of explanation or clarification or to correct a mistake or anomaly, it would result in the revising or expanding of a proposal in a way that would give the proponent an unfair advantage over the other proponents.

9. Non-complying proposals

A proposal that does not address the requirements of sections 4.1 and 4.2 above may be considered non-compliant. Before making any determination as to acceptance or rejections of a proposal, the OSII (in its role as compliance assessors) may, provided it is satisfied that the integrity and competitiveness of the RFP process has not been compromised, give a proponent of a non-complying proposal the opportunity to rectify any non-compliance.

10. Acceptance or rejection of proposals

It is not intended by the NSW Government or the proponent that the issuing of this RFP or a submission of a proposal to it commits, obligates or otherwise creates a legal relationship in respect of entering into a contract with that party.

The NSW Government is not bound to select any proposal for participation in the JDP or for implementation. If the NSW Government rejects all proposals received, it may invite fresh proposals based on the same or different criteria.

Selection of a proposal for participation in the JDP will be subject to the issue of a letter of selection to the preferred proponent and entry into a JDP agreement. Entry into a JDP agreement must not be construed as an indication or representation to the proponent by the NSW Government that the proponent will be selected as the successful proponent and that an Implementation Agreement will be entered into with the proponent to give effect to the social impact investment proposed.

The NSW Government will not, in any circumstances, be responsible for any costs incurred by a proponent arising out of or in connection with the RFP including without limitation:

- in preparing and submitting a proposal
- participating in the JDP
- not being selected as the successful proponent
- discontinuance of this RFP.

11. Communication / Clarification

The NSW Government acknowledges that information gaps may exist, and further information may be required by proponents to develop proposals in response to this RFP. The NSW Government may be able to provide additional information in response to queries about specific proposals. Any such queries should be directed to the OSII by email to socialimpactinvestment@dpc.nsw.gov.au. Requests for additional information must be received before 5pm AEST on 5 December 2016.

Information the OSII can and cannot provide is listed below:

We can:	We can t:
<ul style="list-style-type: none"> • provide general information about social impact investing 	<ul style="list-style-type: none"> • develop and implement proposals outside a formal RFP process • give detailed advice or feedback on proposals prior to or during a formal RFP process • advocate or promote potential proponents or their proposals to other government agencies and market participants.
<ul style="list-style-type: none"> • provide general information on NSW Government activity and priorities in social impact investing 	
<ul style="list-style-type: none"> • provide information on RFP processes, timing and requirements 	
<ul style="list-style-type: none"> • facilitate contact with other NSW Government agencies and market participants 	
<ul style="list-style-type: none"> • consider and facilitate information and data requests. 	

Any additional information made available in response to a request will also be distributed to all persons who have registered an interest in the RFP (via the DFSI tenders website) and posted at www.osii.nsw.gov.au for access by all interested parties.

12. Ethical conduct

Proponents must comply with the requirements of the NSW Department of Premier and Cabinet [Business Ethics Statement](#).

A proponent's proposal may not be considered further if a proponent or any of its officers, employees, agents or subcontractors is found to have:

- offered an inducement or reward to any public servant or employee, agent or subcontractor of the NSW Government in connection with this RFP or the submitted proposal
- committed "corrupt conduct" within the meaning of the *Independent Commission Against Corruption Act 1998 (NSW)*
- a record or alleged record of unethical behaviour, or not complied with the requirements of the Business Ethics Statement referred to above.

The NSW Government may, but is not required to, invite a relevant proponent to provide written comments within a specified timeframe before the NSW Government excludes the proponent and its proposal on this basis.

Proponents must disclose any conflicts of interests in their proposal.

13. Probity

The NSW Government has engaged a probity adviser for the duration of the evaluation process.

The probity adviser is not a member of the evaluation panel but an independent observer of the evaluation process. The probity adviser will not be involved in the evaluation of any proposals.

Proponents who have any concerns about the conduct or probity of the RFP process should, notwithstanding any other restrictions contained in this document, promptly bring their concerns to the attention of the probity adviser.

The probity advisor's contact details are:

Michael Shatter
RSM Australia
Phone: (03) 9286 8166
Mobile: 0409 808 639
Email: michael.shatter@rsm.com.au

14. Exchange of information between NSW Government agencies

By lodging a proposal, the proponent will authorise the NSW Government to make information available, on request, to any NSW Government agency. This includes information dealing with the proponent's performance on any prior contract that has been awarded. Such information may be used by the recipient NSW Government agency for assessment of the suitability of the proponent for pre-qualification, selective tender lists, expressions of interest or the award of a contract.

The provision of the information by the OSII to any other NSW Government agency is agreed by the proponent to be a communication falling within section 30 of the *Defamation Act 2005 (NSW)*, and the proponent shall have no claim against the OSII and the State of New South Wales in respect of any matter arising out of the provision or receipt of such information, including any claim for loss to the proponent arising out of the communication.

15. Disclosure information

Following the NSW Government's decision, the proponent will be notified in writing of the outcome of their proposal. Details of this proposal and the outcome of the RFP process will be disclosed in accordance with the [Government Information \(Public Access\) Act 2009](#) and the [Premier's Memorandum 2007-01](#) which requires proactive disclosure of information, including information relating to procurement.

5. APPENDICES

- A. Improving permanency for children in out of home care, particularly through open adoption
- B. Improving outcomes through early childhood education
- C. Addressing youth unemployment

A. Improving permanency for children in out-of-home care, particularly through open adoption

The NSW Government recognises the importance of security and stability for children in out-of-home care (OOHC). Evidence shows that placement instability negatively affects children's current and long-term wellbeing, leading to reduced capacity to form stable relationships, poorer school performance, and more emotional and behavioural problems (Osmond and Tilbury, 2012). Family stability is an important factor in enhancing outcomes for children in a variety of areas, including health, education and interpersonal skills. However, currently one in three children in OOHC experience more than three family placements. Further, the number of children in OOHC has nearly doubled over the past 10 years, increasing from about 10,900 children in 2004 to 18,659 as at June 2016 (this excludes 2,486 children on guardianship orders).

In 2014, the NSW Government introduced *Safe Home for Life* ('SHFL') legislative reforms to strengthen our focus on ensuring that all children grow up in safe, loving and stable homes. Whilst keeping families together safely remains the priority of government, the permanency planning principles which underpin the reforms encourage consideration of open adoption for children and young people in care who cannot safely return to their families or live with kin.

Open adoption ensures that a connection between the adoptive and the birth family is maintained, in order to give children and young people the best chance for long-term wellbeing as well as security in their identity, personal development and relationships. Although adoption is not appropriate for all children in care (particularly Aboriginal children), more can be done to ensure that it is considered as an option when it is judged to be in the best interests of the child. There are a number of barriers that have limited open adoptions in NSW and across Australia, including: the often lengthy and complicated adoption process; a lack of support services (including legal support); casework practices; and experiences and cultural beliefs.

The SHFL legislative reforms introduced timeframes that require the Children's Court to consider permanent care options for a child or young person:

- within six months for a child who is less than two years of age (from the time an interim care order is made by the court allocating parental responsibility to a person other than a parent); and
- within 12 months for those aged two years or older.

The NSW Government is investing \$6.4 million in 2016-17 (\$11.8 million over four years) to increase the number of open adoptions. Measures include temporary casework specialists to clear bottlenecks in the open adoption process; and ongoing specialist casework to increase open adoptions.

We are seeking social impact investment proposals that will complement and enhance the government's efforts to ensure children who enter care or who are already in care have a permanent placement pathway. Such proposals should align with the government's focus on increasing open adoptions - where adoption is suitable and in the best interests of the child.

1. Intended outcomes

1.1 Outcomes sought

The key goal of a social impact investment in this priority area is to increase the security, stability and wellbeing for children in care through early permanency planning and open adoption, where appropriate.

Specific outcomes we are seeking to achieve for children for whom open adoption is suitable include:

- stable and continuous relationships with adoptive and birth parents, siblings (where relevant), friends and the local community;
- improved educational and health outcomes.

Broader social and wellbeing outcomes of interest include:

- enhanced intellectual development;
- improved social adjustment;
- enhanced self-esteem, mental health and school achievement.

1.2 Outcome measures

The outcome measures for social impact investments in this area should be linked to the savings that will be used to make payments. It is also important that there is a robust and reliable data source available.

Depending on the intervention and data availability, outcome measures for the social impact investment may include:

- increased number of open adoptions or other permanent placements successfully implemented;
- reduced average time in care (from when a child enters care to when they exit care into a permanent situation).

We are also open to exploring measures associated with the broader social and wellbeing outcomes listed above. These could include outcomes such as educational attainment, health and wellbeing measures, or employment in early adulthood.

2. Potential cohort

Although there are numerous permanency options available, we are particularly interested in interventions related to open adoption, as evidence suggests that adopted children have considerably better outcomes on a range of indicators than children who remain in long term foster care or in residential care. When appropriately managed, open adoption can enhance stability, a sense of security, belonging and firm attachments, providing better outcomes for all involved, including birth parents, adoptees, adoptive parents and the broader community (Women's Forum Australia, 2014). There is a growing body of research examining outcomes for this cohort (Triseliotis, 2002; Neil and Schofield, 2003; Cashmore and Paxman, 2006; Ellerman, 2008; Stein, 2006; Selwyn et al. 2014). Research points to a number of factors that impact adoption stability. Arguably, the strongest demonstrated predictor of stability is younger age at placement with adoptive carers (Selwyn et al, 2014). However, it is notable that studies have also indicated that

adoption provides higher levels of stability than alternate forms of placements even where children are placed with adoptive parents in late childhood and adolescence (Rushton and Dance, 2004). The severity of children’s emotional and behavioural problems has also been shown to reduce adoption stability, as has increased length of exposure to pre-care adversity and older age at entry to care (Biehal et al., 2010). Stronger carer-child relationships (Biehal et al., 2010) and good child-parent matching have been shown to minimise breakdown (Farmer et al., 2010).

Given the importance of placement at a younger age in achieving better outcomes for adopted children, the potential cohort could focus on specific sub-groups of non-Aboriginal children aged under six years at the time they enter their current placement for which adoption is considered appropriate.

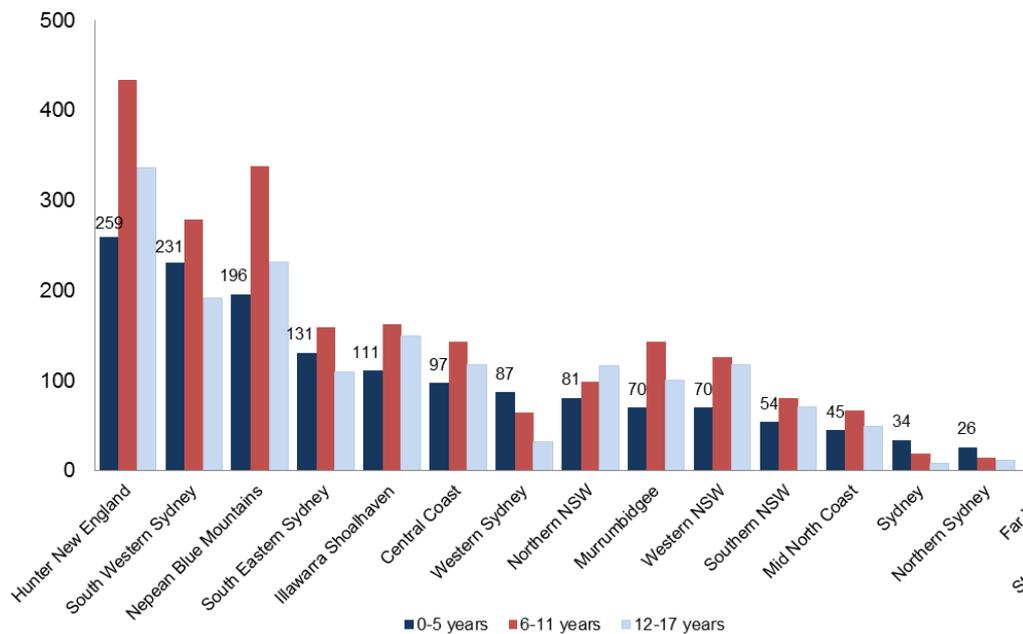
3. Data

3.1 Cohort data

At any point in time, the number of children and young people in care in NSW for whom open adoption could be considered is about 8 per cent of the total OOHC population.¹

There are currently approximately 9,500 non-Aboriginal children and young people in statutory care, with a quarter of these children aged under six. Of these 1,496 are likely to be considered suitable for adoption.

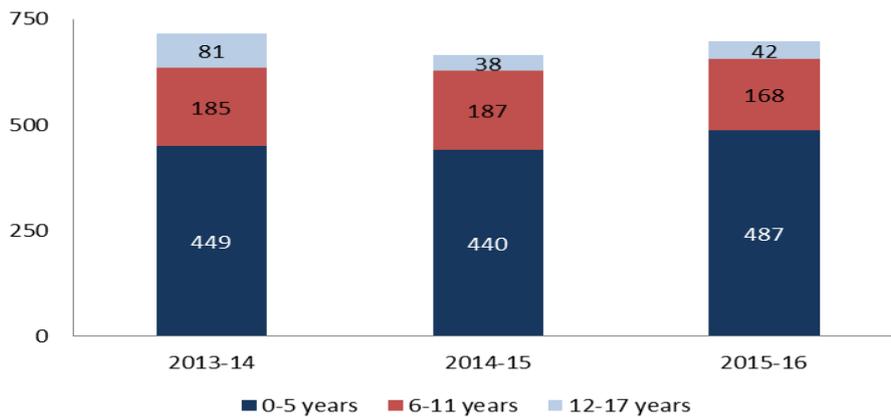
Figure 1: Estimated number of children suitable for adoption by district as 30 June 2016



There is an increasing trend in the overall number of children entering care each year. This trend is also apparent in the potential target cohort of non-Aboriginal children, as shown in Figure 2 below. In 2013-14, 449 non-Aboriginal children in the 0-5 age group entered the potential cohort group. This number increased to 487 in 2015-16 (an 8% increase over two years).

¹ The total OOHC population excluding guardianship orders as at June 2016 was 18,659.

Figure 2: Number of non-Aboriginal children entering potential target cohort, by age group



3.2 Adoption data

In 2014-15, only 94 carer adoptions occurred across Australia. Of these, 87 were adoption orders made for children in care in NSW. As highlighted in Table 1, NSW has undertaken the vast majority of adoptions from care, with rapidly increasing numbers of adoption over the past five years (AIHW, 2015). The AIHW notes that the 2014-15 period represented the highest number of carer adoptions at any point in the past decade, and more than four times the rate of adoption a decade earlier (AIHW, 2015). OOHC adoptions in NSW were notably lower in 2015-16.

Table 1: Out-of-home care adoptions in NSW and Nationally

Year	2011 12	2011 12	2012 13	2013 14	2014 15	2015 16
NSW: Number of children and young people in OOHC who have been adopted	46	65	78	82	87	67
Total carer adoption in Australia (AIHW)	49	70	81	89	94	Not available

The NSW Government is committed to clearing the current bottleneck by December 2017 (refer to Table 2 below). As part of the Government's open adoptions backlog strategy, FACS has established a temporary Adoptions Taskforce, comprising contracted casework and paralegal resources with dedicated support from the NSW Crown Solicitors Office. The Taskforce will support FACS Adoptions Services and NGO partners to clear the current OOHC Adoptions bottleneck. The Adoptions Taskforce is part of a broader Adoptions Transformation Program, which aims to improve how FACS and NGOs implement sustainable arrangements for processing OOHC adoptions now and in the future.

Table 2: Progress of out-of-home care adoptions as at June 2016

Adoption stages	Enquiry	Assessment	Approved	Finalisation	At Court	On hold	Total
Number of children currently at each stage	144	76	108	38	39	73	478

3.3 Cost data

The NSW Government incurs significant costs when a child is placed in long-term out-of-home care, and outcomes for such children are poorer than those who are adopted. As such, minimising

unnecessary time and moves in foster care provides better long-term outcomes for the child, as well as savings to Government. Depending on the permanent placement pathway achieved, the savings to Government will vary. Successful adoptions not only provide permanency for children, but also significant savings to government.

Initiatives that promote placement stability for children who are in long-term care may also provide direct savings to Government, particularly if they promote a step down in assessed care (e.g. from residential to home-based care) or prevent a care arrangement from breakdown, resulting in a higher cost care arrangement being avoided.

Table 3: Cost to Government of a child in care, by care type (2016-17)

	Annual cost per Child	Daily cost per Child
Statutory care*		
• General foster	\$41,821	\$115
• General foster – plus 2	\$53,124	\$146
• Intensive foster	\$99,467	\$273
• Residential	\$198,933	\$545
• Intensive residential	\$325,527	\$892
Open adoption	\$3,000 first year post-adoption \$1,500 ongoing until the child turns 18	

*The statutory care costs are based on NGO fixed price contracts (due to expire April 2017), and may change pending the outcome of contract negotiations.

The NSW Government recently undertook analysis to better understand the life pathways of young people who left care in their late teens and the costs of their service needs. Some of the observations are below:

- The average long-term cost to the Government of meeting the service needs of an OOHC leaver is estimated to be about \$290,000 over 20 years post-exit.
- Almost a third (28 per cent) of the \$4.7 billion cost is justice-related; nearly one quarter (24 per cent) comprises child protection services for the next generation; and one fifth comprises ambulance costs.
- Risk and cost are highly concentrated within a few small sub-cohorts. Most notably, the average 20-year costs are exceptionally high for a small group of care leavers with prior court appearances or custody who were also Aboriginal and male. Their 20-year costs are eight times higher than for the lowest-risk/cost segment of OOHC leavers.
- Service usage pathways are generally high and vary considerably between sub-cohorts. Some notable examples:
 - In general, OOHC leavers' children are more than 10 times more likely to also need OOHC compared to the general population. This varies markedly by gender: 20 per cent of females and 12 per cent of males in the cohort are forecast to have a child in protective services sometime in the 20 years after exit from care.
 - Court appearance, time in custody and ambulance costs are on average significantly higher for males compared to females. Male Aboriginal leavers with previous court or custody history are more than 90 per cent likely to have future time in custody.
 - More than half of all OOHC leavers utilise some form of homelessness assistance.

It was also noted that, on average, OOHC leavers will spend one and a third years in public

housing. This amount almost doubles for Aboriginal care leavers.

4. Principles for effective interventions

The evidence base for increasing permanency for children in OOHC indicates that the following should be considered when designing an intervention proposal for investment in this area:

- there is a greater use of open adoption for children in OOHC (based on evidence of increased placement stability in open adoption referenced previously), while recognising that different permanency options are required for cohorts such as Aboriginal children
- proposals are to be child-centered and perverse incentives must be addressed
- arrangements are made, in a timely manner, to ensure the provision of a safe, nurturing, stable and secure environment. This includes providing required services and support to address any trauma the child experienced prior to entry to or during care, with lack of access to therapeutic support in adoption demonstrated to increase the risk of placement breakdown (Rushton & Beek, 2004)
- similarly, skilled and timely assessments are conducted to identify the severity of children's emotional and behavioural needs and to identify children at risk of placement instability
- plans are outlined from the outset for the additional training, support and supervision that adoptive parents may require pre- and post-placement, on the basis of research which indicates that post-adoption support is essential to adoption stability (Smith, 2010)
- contact between a child and their parents, siblings and other family members remains an important consideration for children in care, regardless of the permanency plan, including in adoption where contact can meet identity needs (Neil et al., 2013)
- identifying and matching suitable adoptive parents with children in care should not be restricted to current foster carers, but should also include consideration of others who may be looking to adopt
- every child in care has a tailored plan which includes developing and sustaining their relationships with people who are willing and able to commit to support the child into adulthood
- robust monitoring tools are used to track progress and to ensure that milestones are met
- the casework and evidence required to progress an open adoption, to minimise failed attempts to progress an open adoption through the court and/or contested open adoptions
- post-adoption services and support are available to facilitate communication about life stories, birth parent contact, and to provide adoptive parents with support, following research indicating the essential nature of these resources to placement stability (Smith, 2010).

5. References

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B. Improving outcomes through early childhood education

Participation in early childhood education yields multiple developmental and learning benefits for all children that persist through schooling and well into adulthood. These benefits are often greater for children from disadvantaged backgrounds.¹ We know that what children lack before they start school has long term implications for their education and their lives. However, the ability of early childhood education to level the playing field for disadvantaged and/or vulnerable children also depends on the quality of services. In short, high quality services result in better outcomes for children.

Since 2009, the NSW Government has been working towards achieving universal access to quality early childhood education. While participation in early childhood education has been increasing in NSW (NSW Audit Office, 2016), there continue to be children, particularly from Aboriginal and low socioeconomic backgrounds, who miss out on early childhood education. These are the children who stand to benefit most from participation in early childhood education.

We are interested in social impact investment proposals to improve the educational and social outcomes of children through early childhood education. These proposals should build on current reforms and existing programs. In particular, we want to assist four and five year olds from disadvantaged backgrounds to enrol, and participate in quality early childhood education to improve their educational and social outcomes.

1. Market overview

New South Wales has a mixed model of early childhood education services. Families can enrol their child in early childhood education programs delivered in a broad range of settings, including Department of Education preschools, community preschools and long day care centres. Close to two-thirds of NSW children who participate in an early childhood education program in the year before school do so in a long day care centre (ABS, 2015).

Both the Commonwealth and State Government contribute to the early childhood education sector in NSW. In line with its objective of increasing workforce participation, the Commonwealth is the primary funder of long day care centres through the Child Care Benefit (CCB) and Child Care Rebate (CCR) subsidies. The State Government is the primary funder of community and Department of Education preschools.² Through the National Partnership Agreement on Universal Access to Early Childhood Education (NP UAECE), the Commonwealth also provides funding for preschools in NSW. The majority of available funding under the NP UAECE is tied to meeting certain outcomes benchmarks, such as the proportion of children enrolled for 600 hours in an early childhood education program in the year before school.

The NSW Government also has responsibility for regulating early childhood education and care services to ensure they comply with the standards stipulated by the National Quality Framework (NQF). Families can use published NQF ratings to compare services and make informed choices

¹ We use 'children from disadvantaged backgrounds' as a broad term to refer to the cohort of children who face additional challenges to early childhood education participation, whether due to developmental vulnerability, Aboriginal status, family income, language background or additional learning needs. There is currently no definition consistent across jurisdictions.

² Early childhood education programs in the year before school are offered in both long day care centres (LDCs) and preschools. From the perspective of families, the key differences between the two service types are the hours per day that a centre is open (on average, approximately 10.5 for LDCs, and 7 for community preschools), and which government subsidies their child will be eligible to receive (Commonwealth CCB and CCR for LDCs, State Preschool Funding Model for community preschools).

about which service best meets their child's needs.

2. Intended outcomes

2.1 Outcomes sought

The key goal of a social impact investment in this focus area is to improve the social and educational outcomes of children through early childhood education.

Interested organisations are encouraged to develop proposals that will:

- Improve the developmental outcomes of children, especially from the target cohort
- Create positive downstream outcomes for children, including physical, social and emotional wellbeing outcomes.

Proposals that seek to achieve this through the following will be highly regarded as having significant potential to deliver the broader social and educational outcomes sought:

- Improving the enrolment and participation of children in quality early childhood education
- Offering more innovative service delivery models to support families' needs.

2.2 Outcome measures

Various measures could be used to determine the extent to which the intervention improves the educational outcomes of participating children through early childhood education. Selection of measures will depend on the focus of the proposed intervention. Measures could include:

- An increase in the proportion of children identified by the Australian Early Development Census (AEDC)³ as developmentally 'on track' across areas that are closely linked to the predictors of good adult health, education and social outcomes
- An increase in the proportion of target children enrolled – and enrolled for 600 hours - in early childhood education
- A decrease in the attrition rate between those enrolled and attending early childhood education
- Improvement in Year 3 National Assessment Program – Literacy and Numeracy (NAPLAN) scores.

3. Potential cohort

We recommend the intervention should identify a target cohort of four and five year old children from disadvantaged or vulnerable backgrounds, including:

- Children from low-income families⁴
- Aboriginal children
- Children from culturally and linguistically diverse (CALD) backgrounds or Language Background Other Than English (LBOTE)
- Children located in areas where there are comparatively lower levels of early childhood education enrolment and attendance

³ The next AEDC census will be undertaken in 2018, with results published in early 2019.

⁴ Proposals should outline how they intend to define 'low-income'. It is recommended that proposals consider using either Health Care Card holders as a proxy or using deciles 1 and 2 of the ABS' Socio-Economic Indexes for Areas ('SEIFA') measure.

- Children considered developmentally vulnerable, according to the AEDC.

In NSW, more than 95 per cent of four and five year old children participate in early childhood education in the year before school. However, enrolments of disadvantaged and Aboriginal children lag behind, at 85.9 per cent and 86.8 per cent respectively.⁵ Children from CALD and LBOTE backgrounds are also under-represented in early childhood education. According to the 2016 Report on Government Services, children from CALD backgrounds in NSW make up 23.7 per cent of the 3-5 year old population, but account for 19.4 per cent of children enrolled in early childhood education. In NSW, children from CALD backgrounds make up 23.7 per cent of the 3-5 year old population, but account for 19.4 per cent of children enrolled in early childhood education.⁶ According to the AEDC, the LBOTE children that are most likely to be at risk of developmental vulnerability are those with low English language proficiency.

Demand for early childhood education is projected to increase over the next five years. The following identifies the local government areas (LGAs - based on 2011 boundaries) where population growth for four to five year olds is projected to grow by 10 per cent or more over the next five years (to 2021):

- Ashfield
- Auburn
- Bankstown
- Blacktown
- Burwood
- Camden
- Campbelltown
- Canterbury
- Central darling
- Fairfield
- Hawkesbury
- Hurstville
- Kogarah
- Ku-ring-gai
- Liverpool
- Marrickville
- Parramatta
- Penrith
- Queanbeyan
- Randwick
- Rockdale
- Ryde
- Strathfield
- Sydney
- The Hills Shire

The levels of early childhood education enrolment and attendance can also be different across the different groups of children. For example, in 2015, over 22,000 four and five year old children were enrolled in early childhood education for fewer than 600 hours. This represents 23.1 per cent of all enrolled four and five year old children (ABS, 2015). Children from Aboriginal and low-income families are over-represented in this group. Research indicates that children who participate in a moderate level of quality early childhood education (between 9 and 30 hours per week) are more likely to arrive at school equipped with the social, cognitive and emotional skills they need to engage in learning (O'Connell et al., 2016).⁷ Research shows that vulnerable children are more likely to benefit from increased hours of participation in early childhood education.

In terms of early childhood development, the 2015 AEDC results (AEDC, 2016) identified that one

⁵ Enrolment figures are calculated based on ABS (2015) Preschool Education Australia, Summary Tables.

⁶ CALD representation in early childhood education is only available for the 3-5 population, but it is anticipated that this is also representative of the 4-5 year old population.

⁷ Given that 600 hours is the nationally accepted target for moderate participation (NP UAECE), it is recommended that proposals should focus on at least 15 hours per week of participation in early childhood education.

in five NSW children were developmentally vulnerable on one or more of the following domains:

- Physical health and wellbeing
- Social competence
- Emotional maturity
- Language and cognitive skills (school-based)
- Communication skills and general knowledge

Factors such as demographic profiles and socio-economic background, can be used to identify children most at risk of being developmentally vulnerable or stand to benefit the most from participating in early childhood education. Proposals that identify and include interventions for these children in the potential cohort are encouraged.

4. Data

The ABS National Childhood Education and Care Collection collects data on children enrolled in and attending an early childhood education program across Australia. However, accurate data on these programs at a local level is difficult to obtain across all service types.

The NSW Government, through the biannual Preschool Census and annual data collection from Department-run preschools, can provide accurate and detailed data about the preschool sector in NSW, including information on enrolments, fees and service operating characteristics.

The Commonwealth Government collects data from long day care centres, some of which may be available upon request, pending Commonwealth approval. Proposals should consider evaluation and measurement tools to supplement existing administrative data, especially if the proposal focuses on the long day care sector.

4.1 Service providers

For the purposes of proposals, an early childhood education service provider is a service approved and regulated under the National Quality Framework that offers an early childhood education program in line with the Early Years Learning Framework (EYLF) in the year before school.

In 2015, there were 3,463 service providers in NSW with a preschool program (Table 1 below). Of these, 2,621 (75%) were being delivered in long day care centres (which are regulated by New South Wales), and 833 (24%) were being delivered in preschools.

Table 1: The number of service providers in NSW with an early childhood education program delivered to children aged 4 and 5 years in 2015 (ABS, 2015)

Service providers in NSW with a preschool program delivered by a qualified early childhood teacher	
Preschool	
Government⁸	157
Non-government	
Community⁹	659
Private for profit	0
Independent schools	12
Catholic schools	5
Total Non-government	676
Total preschool	833
Preschool program in a long day care centre	
Government	242
Non-government	2,379
Total long day care	2,621
Total service providers with a preschool program delivered by a qualified teacher	3,454
Service providers with a preschool program not delivered by a qualified teacher	9
Total service providers in NSW with a preschool program	3,463

4.2 Enrolments and attendance

The ABS data show that in 2015, there were 96,184 children aged four or five years old enrolled in a preschool program in NSW. Of these, 76,496 (79.5%) were aged four years, while 19,691 (20.5%) were aged five years.

4.1.1 Enrolments and location

According to ABS data, children in regional and remote areas are more likely to be enrolled in early childhood education than children in major cities. Children enrolled in non-metropolitan settings are also more likely to be enrolled in a dedicated preschool rather than long day care (see Table 2).

However, as Section 4.4 shows, there is an outcome disparity in terms of child development between major cities and regional/remote areas. Considering this, proposals are encouraged to target interventions in either metropolitan or non-metropolitan locations, while being conscious of the different challenges that these different areas experience.

⁸ As at 2015, there were 100 preschools provided by government schools. This figure also contains community preschools run by local councils.

⁹ As at 2015, there were 751 community preschools. Mobile services may be excluded from this figure as well as community preschools run by local councils.

Table 2: The number of 4 and 5 year old children (including Aboriginal children) enrolled in early childhood education in NSW by sector and remoteness in 2015 (ABS, 2015)¹⁰

Major cities	69,414	1,585	29.6%	70.4%
Inner/Outer Regional	26,106	2,547	51.7%	48.3%
Remote/ Very remote	660	265	79.5%	20.6%

4.1.2 Enrolments and family income

ABS data indicates different patterns of enrolment and attendance among children from different socioeconomic backgrounds (Table 3). For example, children who are identified as the most disadvantaged by the index of relative socio-economic disadvantage¹¹ are less likely to be enrolled or attending preschool for 600 hours in the year before school (ABS, 2015).

Table 3: The number of children aged 4 or 5 years enrolled and attending early childhood education for 600 hours in NSW, indexed by relative socioeconomic disadvantage (ABS, 2015)

Index of Relative Socioeconomic Disadvantage	Enrolled for at least 600 hours	Attending for at least 600 hours
Quintile 1	62.9%	53.7%
Quintile 2	74.1%	65.2%
Quintile 3	77.1%	69.2%
Quintile 4	80.3%	72.3%
Quintile 5	86.6%	78.9%

4.3 Quality of early childhood services

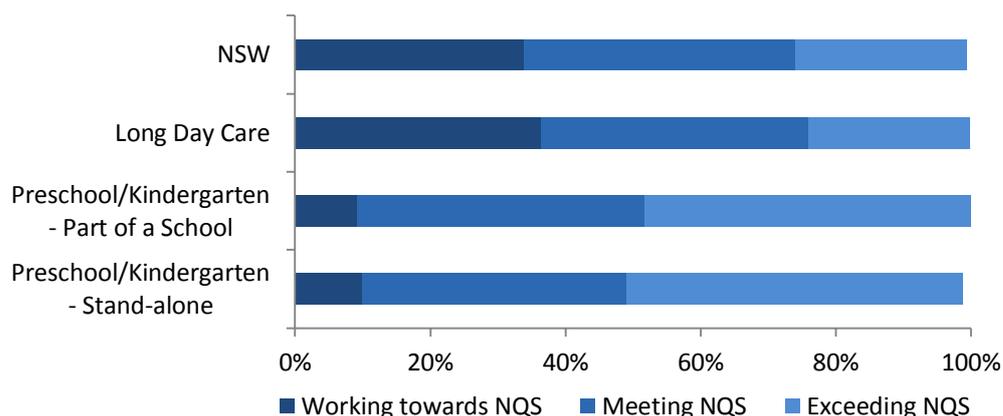
As at 31 December 2015, 3,803 (76%) services in NSW have been assessed and rated against quality standards, of which 61% met or exceeded standards.

Figure 1: National Quality Standard (NQS) service ratings, by service type, September 2016 (NSW Department of Education)¹²

¹⁰ Proportions that do not add up to 100% are due to rounding.

¹¹ The Index of Relative Socio-economic Disadvantage is derived at the Statistical Area Level 1 and aggregated into quintiles, where 1 is the most disadvantaged and 5 is the least disadvantaged. Socio-Economic Indexes for Areas ('SEIFA') is 'not stated' when the child's Statistical Area Level 1 is unknown.

¹² Proportions do not add to 100% as a very small number of services requiring significant improvement or deemed 'excellent' by the Australian Children's Education and Care Quality Authority (ACECQA) have been omitted.



4.4 Child development

AEDC results show a more nuanced picture of how young children have developed based on the five key areas of early childhood development (or 'domains') by the time they start their first year of full-time school. The table below identifies the proportions of children in NSW identified as 'developmentally vulnerable' or those who demonstrate a much lower than average ability in the developmental competencies of that domain.¹³

Table 4: The number and percentage of children identified in the AEDC as developmentally vulnerable in NSW in 2009, 2012 and 2015 (AEDC, 2016)

Domains	2009	2012	2015
Physical	7,176 (8.6%)	7,393 (8.3%)	7,772 (8.5%)
Social	7,280 (8.8%)	7,578 (8.5%)	8,359 (9.2%)
Emotional	6,144 (7.4%)	5,487 (6.2%)	6,176 (6.8%)
Language	4,855 (5.9%)	4,251 (4.8%)	4,360 (4.8%)
Communication	7,599 (9.2%)	7,590 (8.5%)	7,360 (8.1%)

The AEDC data also shows the geographic spread of children considered developmentally vulnerable. Table 5 provides a snapshot of the top 10 local government areas (LGAs) in NSW that have the highest percentage of children identified as 'developmentally vulnerable' on two or more domains. Given that these are all regional or remote locations, Table 6 then provides a snapshot of LGAs in metropolitan areas that have above-average proportions of children considered developmentally vulnerable. For more detailed data on the LGAs by suburb, service type and enrolments, please refer to section 6 below.

Table 5: Developmental vulnerability in regional and remote areas (AEDC, 2016)

Location (LGA) ¹⁴	Developmentally vulnerable on two or more domains (%)			Number of children with valid scores		
	2015	2012	2009	2015	2012	2009
Brewarrina (A)	36.4	29.0	18.8	22	31	32
Wellington (A)	34.9	24.3	34.0	126	115	97

¹³ Children are classified as 'developmentally vulnerable' if they score below the 10th percentile (in the lowest 10 per cent) of the national AEDC population.

¹⁴ Local Government Areas are based on 2011 boundaries.

Central Darling (A)	34.6	50.0	25.0	26	18	20
Coonamble (A)	33.9	19.7	9.8	56	61	82
Walgett (A)	24.1	19.3	14.9	87	109	101
Jerilderie (A)	21.1	*	14.8	19	14	27
Cobar (A)	19.5	11.4	15.8	82	79	57
Moree Plains (A)	18.8	26.0	23.3	165	200	193
Forbes (A)	18.2	6.3	15.7	137	111	115
Walcha (A)	18.2	4.9	8.0	33	41	25

* Suppression of AEDC data occurs when one or more of the following have not been met:

- Fewer than fifteen children had valid AEDC scores
- Less than two teachers had completed AEDC instruments for children in that location;
- AEDC instruments were completed for less than 80% of all non special needs children.

Table 6: Developmental vulnerability in metropolitan areas (AEDC, 2016)

Location (LGA) ¹⁵	Developmentally vulnerable on two or more domains (%)			Number of children with valid scores		
	2015	2012	2009	2015	2012	2009
Fairfield	13.7	13.3	14	2,592	2,506	2,516
Parramatta	12.9	9.3	12.4	2,396	2,154	1,877
Bankstown	12.3	15.8	13.5	2,777	2,638	2,554
Canterbury	12.0	10.9	12.6	2,006	1,839	1,762
Auburn	11.8	12.9	14.0	1,023	920	845
Blacktown	11.6	11.5	13.2	5,102	4,948	4,397
Holroyd	11.5	8.2	13.7	1,701	1,512	1,353
Hurstville	11.3	8.0	9.5	984	938	888
Campbelltown	11.1	11.3	13.4	2,184	2,183	2,015

4.5 Costs and benefits

An analysis of the Perry Preschool program by Heckman (2012) found that participation in quality early childhood education increased an individual's school and career achievements, as well as reducing government expenditure on costs such as remedial education, health and criminal justice. Heckman estimated that by the age of 20, the return on preschool investment was \$7 for every \$1 spent.

A new NSW Government data linkage project is linking AEDC assessments and NAPLAN scores to enrolment information, allowing us to better understand the connection between participation in early childhood education, developmental vulnerability and school assessments. Given the link that Heckman's research demonstrates, it is advised that proposals should consider using developmental vulnerability scores as proxy measures for later government savings.

¹⁵ Local Government Areas are based on 2011 boundaries.

5. Principles for effective interventions

Early childhood is a critical time in human development. The proposed intervention should be designed to meet the learning and developmental needs of children through a high-quality, affordable and accessible early childhood education program(s) (Melhuish, 2014). Proposals should supplement existing early childhood education programs and services, including the new Start Strong reform package.¹⁶ Given that children from disadvantaged backgrounds accrue the most benefits from early childhood education, and are often less likely to participate in early childhood education programs, proposals should target the meaningful participation of target cohort children. Key elements of effective interventions include:

- mechanisms for identifying and engaging families, especially those from disadvantaged backgrounds
- design of initiatives informed by a strong evidence base (national or international) on ‘what works’ in early childhood education
- robust tools to measure outcomes, including a baseline assessment and/or comparative group
- a collaborative approach with providers, services and staff
- consideration of behavioral (family choices) and structural (how services operate) interventions.

Additionally, proposals that aim to increase participation in early childhood education should focus on ensuring that this participation will deliver the intended benefits. Research shows that meaningful participation in early childhood education comprises a number of aspects, including:

- the ‘dosage’ of participation: to a great extent, the benefits of early childhood education are an increasing function of the number of years and hours a child participates (Gorey, 2001; Loeb et al., 2007; Harrison et al., 2009; Reynolds et al., 2014)
- the quality of the service and the early childhood education program offered, which can be affected by:
 - structural elements, such as the education and training of staff, child: adult ratios and the size of each group of children
 - process elements, such as learning opportunities and children’s interactions with both staff and other children (O’Connell et al., 2016)
- regular attendance rates.

¹⁶ For funding and program information please refer to <http://www.dec.nsw.gov.au/what-we-offer/regulation-and-accreditation/early-childhood-education-care/funding/start-strong>.

6. Additional data: preschool program by suburb, service type and enrolments

Services and Enrolments					
Location (2011 LGA) ¹	Services			Enrolments	
	Community Preschools ²	Total LDCs ³	Funded LDCs ⁴	Total 4 and 5 year old enrolments ⁵	Total 4 and 5 year old 600 hour enrolments ⁶
Albury (C)	8	18	15	954	522
Armidale Dumaresq (A)	7	8	7	311	178
Ashfield (A)	<5	22	19	566	446
Auburn (C)	<5	24	23	636	365
Ballina (A)	5	12	11	673	373
Balranald (A)	<5	<5	<5	43	22
Bankstown (C)	9	99	96	2368	1515
Bathurst Regional (A)	<5	12	12	541	386
Bega Valley (A)	9	8	7	467	227
Bellingen (A)	<5	<5	<5	194	77
Berrigan (A)	<5	<5	<5	129	73
Blacktown (C)	15	141	136	4173	2543
Bland (A)	<5	<5	<5	111	72
Blayney (A)	<5	<5	<5	113	8

¹ Local Government Areas are based on 2011 boundaries.

² Community Preschools were drawn from the 2015 August Preschool Census.

³ Long Day Care (LDC) centres were identified using an extract of the 2015 Child Care Management System (CCMS) data combined with State-level data collected directly from services.

⁴ A LDC is identified as 'funded' if it received funding under round 1 or 2 of the LDC National Partnership Grants; 'funded LDCs' are a subset of 'total LDCs'.

⁵ 4 and 5 year older children aged as at 01.07.2015 in the 2015 August Preschool Census and 2015 CCMS data or State-level data. These figures differ from those provided in section 4.2 above, which use publicly reported figures from the ABS's *Preschool Education Australia* publication. In aggregate, figures in this table are an overestimation. The ABS retrospectively deducts children who are 4 or 5, but are not considered to be in their year before school under the national partnership on universal access to early childhood education.

⁶ 600 hour enrolments were determined using the August 2015 Census and 2015 CCMS data. These figures differ from those provided in section 4.2 above, which use publicly reported figures from the ABS's *Preschool Education Australia* publication. In aggregate, figures in this table are an underestimation. The ABS analyses whether children are receiving 600 hours across different service types, thereby increasing the proportion of children participating for 600 hours.

Appendix B: Improving outcomes through early childhood education

Blue Mountains (C)	14	21	20	1163	734
Bogan (A)	<5	<5	<5	50	37
Bombala (A)	<5	<5	<5	42	13
Boorowa (A)	<5	<5	<5	38	14
Botany Bay (C)	<5	15	13	338	224
Bourke (A)	<5	<5	<5	53	42
Brewarrina (A)	<5	<5	<5	39	36
Broken Hill (C)	<5	<5	<5	100	80
Burwood (A)	<5	13	13	359	230
Byron (A)	8	10	10	554	360
Cabonne (A)	6	<5	<5	151	76
Camden (A)	5	30	29	1412	813
Campbelltown (C)	7	73	67	2016	1183
Canada Bay (A)	6	33	33	1147	726
Canterbury (C)	6	68	64	1628	967
Carrathool (A)	<5	<5	<5	15	10
Central Darling (A)	<5	<5	<5	15	15
Cessnock (C)	6	11	10	785	360
Clarence Valley (A)	12	10	8	641	297
Cobar (A)	<5	<5	<5	118	16
Coffs Harbour (C)	9	30	29	1213	786
Coolamon (A)	<5	<5	<5	76	22
Cooma-Monaro (A)	<5	5	<5	184	98
Coonamble (A)	<5	<5	<5	43	33
Cootamundra (A)	<5	<5	<5	110	38
Corowa Shire (A)	<5	<5	<5	160	101
Cowra (A)	<5	<5	<5	150	52
Deniliquin (A)	<5	<5	<5	237	86
Dubbo (C)	<5	13	13	769	387
Dungog (A)	<5	<5	<5	138	107

Appendix B: Improving outcomes through early childhood education

Eurobodalla (A)	5	14	12	466	261
Fairfield (C)	9	73	68	1678	1052
Forbes (A)	<5	<5	<5	220	47
Gilgandra (A)	<5	<5	<5	113	20
Glen Innes Severn (A)	<5	<5	<5	109	49
Gloucester (A)	<5	<5	<5	73	56
Gosford (C)	6	65	63	2615	1657
Goulburn Mulwaree (A)	5	12	10	466	270
Great Lakes (A)	5	14	12	441	295
Greater Hume Shire (A)	<5	<5	<5	149	113
Greater Taree (C)	5	18	17	693	354
Griffith (C)	7	7	6	547	348
Gundagai (A)	<5	<5	<5	55	30
Gunnedah (A)	<5	<5	<5	249	82
Guyra (A)	<5	<5	<5	41	19
Gwydir (A)	<5	<5	<5	55	19
Harden (A)	<5	<5	<5	48	40
Hawkesbury (C)	5	32	31	1120	641
Hay (A)	<5	<5	<5	60	12
Holroyd (C)	6	45	40	1392	920
Hornsby (A)	17	67	63	2440	1711
Hunters Hill (A)	<5	<5	<5	193	135
Hurstville (C)	<5	43	39	1006	715
Inverell (A)	5	<5	<5	288	181
Jerilderie (A)	<5	<5	<5	11	6
Junee (A)	<5	<5	<5	92	47
Kempsey (A)	9	7	7	438	331
Kiama (A)	<5	7	7	274	181
Kogarah (C)	<5	21	19	639	428
Ku-ring-gai (A)	18	34	32	1782	1395

Appendix B: Improving outcomes through early childhood education

Kyogle (A)	5	<5	<5	119	86
Lachlan (A)	<5	<5	<5	142	75
Lake Macquarie (C)	18	58	56	2727	1879
Lane Cove (A)	5	17	16	573	488
Leeton (A)	<5	<5	<5	187	37
Leichhardt (A)	<5	28	28	759	575
Lismore (C)	14	13	11	661	512
Lithgow (C)	<5	5	<5	301	109
Liverpool (C)	8	103	96	2697	1749
Liverpool Plains (A)	5	<5	<5	104	56
Lockhart (A)	<5	<5	<5	66	8
Maitland (C)	9	23	23	1304	735
Manly (A)	<5	18	17	600	509
Marrickville (A)	5	26	26	822	617
Mid-Western Regional (A)	<5	5	5	378	238
Moree Plains (A)	<5	<5	<5	327	177
Mosman (A)	<5	14	12	455	323
Murray (A)	<5	<5	<5	117	91
Murrumbidgee (A)	<5	<5	<5	23	20
Muswellbrook (A)	<5	<5	<5	307	173
Nambucca (A)	5	<5	<5	218	168
Narrabri (A)	<5	5	5	185	121
Narrandera (A)	<5	<5	<5	88	66
Narromine (A)	<5	<5	<5	133	80
Newcastle (C)	14	48	46	2273	1622
North Sydney (A)	5	27	26	726	607
Oberon (A)	<5	<5	<5	54	14
Orange (C)	5	14	13	820	486
Palerang (A)	<5	<5	<5	188	100

Appendix B: Improving outcomes through early childhood education

Parkes (A)	5	5	5	240	80
Parramatta (C)	6	112	103	2628	1835
Penrith (C)	10	89	79	2784	1670
Pittwater (A)	6	21	20	979	635
Port Macquarie-Hastings (A)	7	24	21	1143	808
Port Stephens (A)	10	19	17	947	645
Queanbeyan (C)	<5	10	10	562	254
Randwick (C)	<5	57	54	1444	1175
Richmond Valley (A)	7	<5	<5	340	170
Rockdale (C)	7	45	42	1289	847
Ryde (C)	9	51	49	1753	1271
Shellharbour (C)	<5	33	32	1069	563
Shoalhaven (C)	11	40	35	1366	810
Singleton (A)	<5	5	5	384	240
Snowy River (A)	<5	<5	<5	73	52
Strathfield (A)	<5	8	7	267	146
Sutherland Shire (A)	20	103	99	3312	2370
Sydney (C)	10	85	80	1622	1246
Tamworth Regional (A)	10	15	15	922	519
Temora (A)	<5	<5	<5	134	35
Tenterfield (A)	<5	<5	<5	61	38
The Hills Shire (A)	16	77	76	3037	2082
Tumbarumba (A)	<5	<5	<5	31	<5
Tumut Shire (A)	<5	<5	<5	190	111
Tweed (A)	12	24	20	1005	710
Unincorporated NSW	<5	<5	<5	136	88
Upper Hunter Shire (A)	<5	<5	<5	211	79
Upper Lachlan Shire (A)	<5	<5	<5	44	13
Uralla (A)	<5	<5	<5	73	39

Appendix B: Improving outcomes through early childhood education

Urana (A)	<5	<5	<5	21	<5
Wagga Wagga (C)	9	24	24	1146	589
Wakool (A)	<5	<5	<5	70	43
Walcha (A)	<5	<5	<5	36	28
Walgett (A)	6	<5	<5	121	88
Warren (A)	<5	<5	<5	75	61
Warringah (A)	17	67	58	2405	1931
Warrumbungle Shire (A)	7	<5	<5	162	97
Waverley (A)	<5	39	29	920	754
Weddin (A)	<5	<5	<5	55	18
Wellington (A)	<5	<5	<5	95	81
Wentworth (A)	<5	<5	<5	123	105
Willoughby (C)	6	34	33	1182	959
Wingecarribee (A)	5	17	17	633	438
Wollondilly (A)	5	20	19	808	414
Wollongong (C)	17	70	65	2656	1564
Woollahra (A)	6	22	18	603	481
Wyong (A)	8	54	53	2402	1323
Yass Valley (A)	<5	<5	<5	226	119
Young (A)	<5	<5	<5	259	112

It should be noted that this data is indicative only as it is drawn from one extract taken in 2015; some of this data may be subject to self-reporting biases.

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C. Addressing youth unemployment

It is well established that early experiences in the job market have a long-term effect on people's working lives. Youth who cannot find work - or cannot find enough work - go on to have lower incomes and less stable employment in the future, which may further delay the transition to independence, while some may become welfare dependent (Gregg et al. 2004; Kawaguchi et al. 2014; Mroz et al. 2006).

Each year, a large number of Australian youth aged 15 to 24 enter the labour market, but evidence shows that they are finding it harder both to gain and keep employment (CSIRO, 2015). Youth experience both unemployment and underemployment at a higher rate than the overall working population (aged 15 and over). In September 2016, the NSW youth unemployment rate, at 10.5 per cent, was almost twice the (non-youth) working age unemployment rate (5.6 per cent), with more than 74,000 youth in the NSW labour market unable to gain employment (ABS, 2016). As labour market entrants, youth lack general and job-specific work experience, and this 'youth experience gap' is a key factor in explaining the differences between youth and adult unemployment rates (Choudhry et al., 2012).

While most youth successfully navigate the journey to independence, there are groups of youth who may experience difficulties. Research from the *Longitudinal Survey of Australian Youth* (LSAY) shows that youth who are at increased risk of making a poor transition include Aboriginal youth, youth from low socioeconomic backgrounds and those with poor academic performance (Anlezark, 2011). Other vulnerable groups include youth with a disability or other long-term physical or mental health condition, youth involved with the child protection or youth justice systems, and those experiencing homelessness. Risk of youth unemployment also varies by location. For example, in August 2016 both the Southern Highlands and Illawarra regions experienced youth unemployment rates greater than 15 per cent, while the City and Inner South and Northern Beaches regions had unemployment rates of less than 7.5 per cent¹ (ABS, 2016).

Creating educational and employment pathways to support youth to successfully transition to independence is a priority of the NSW Government. New funding of \$100 million for the *Smart, Skilled, and Hired* initiative was announced as part of the 2016-17 Budget, with \$65 million directed towards a youth employment sub-program to assist eligible youth to connect with employment and skilling opportunities. The youth employment sub-program is intended to operate in regions across the north-east of NSW and Western Sydney (for more detail see Section 6.1). The program will create new work pathways for youth, including traineeships and apprenticeships, and will assist in reducing future costs to the NSW Government. The NSW Government is also providing assistance to disadvantaged job seekers through other initiatives such as *Future Directions* (discussed in more detail below).

We are interested in social impact investment proposals that will complement and build on the NSW Government's effort to support vulnerable youth to make the transition to the workforce and sustainable employment², as well as complementing existing Commonwealth Government programs.

¹ The 12-month average youth unemployment rates, from August 2015 to August 2016.

² For the purposes of this RFP, sustainable employment refers to a person's ability to gain or maintain quality employment throughout their working lives, whilst maintaining good health and wellbeing and having the opportunity and the right work context to be able to transfer skills, knowledge and competencies to another job, company or other future roles.

We are particularly interested in interventions that address investment gaps in current service provision, and integrate training, work and personal skills programs for particularly vulnerable youth. Vulnerable youth may include those who are leaving or have been in the juvenile justice system, out-of-home care, or have disengaged from education before completing a year 12 or equivalent qualification.

Interventions to address youth unemployment will necessarily involve partnerships between the provider and other parts of the community. It is expected that a successful intervention would involve close relationships with local employers, non-government and government agencies, and possibly Registered Training Organisations.

1. Intended outcomes

1.1 Outcomes sought

For this priority area, the goal is to enable vulnerable youth to make the transition to the workforce and sustainable employment.

Additional outcomes sought include:

- completing secondary school education and/or a recognised qualification
- acquiring work experience
- gaining social and economic wellbeing and independence
- reducing the risk of youth homelessness.

1.2 Outcome measures

The outcome measures for social impact investments in this area should be linked to the future savings that will be used to make payments. It is also important that there are robust and reliable data sources available for assessing progress against outcome measures. Various measures could be used to determine the extent to which the intervention improves the employment and life outcomes of participating youth³. The selection of measures will depend on the focus of the proposed intervention. Measures could include:

- **Employment and educational measures**
 - time spent in sustainable employment⁴: time in employment (which could be defined, for instance, as full- or part-time employment, casual employment, or number of hours worked per week at 6 months and 12 months⁵) that is sustainable by way of the participant being independent of the providers' supports. This may also include traineeships
 - job placements completed: this could include paid or unpaid job placements or internships, if aligned with longer-term paid employment prospects

³ Youth unemployment, for the purposes of this document, is defined as unemployed individuals aged between 15 and 24 years. Youth may be unemployed as well as studying full- or part-time in high school, post-secondary education or vocational education and training. This document will focus on youth who are not only unemployed, but are experiencing or at risk of long-term unemployment.

⁴ Sustainable employment can be defined as individuals in full-time or part-time employment beyond receiving support or employers receiving incentives. Note that the Smart, Skilled and Hired initiative has not yet approved a definition of sustainable employment.

⁵ Note that a 26 week mark is used by the Commonwealth to pay Jobactive providers, with a bonus payment if a client has retained a job.

- average time looking for work before finding employment⁶: an indicator of the ability of the program to assist youth with the transition into the workforce (possibly from time of entry to the provider's program or time from completing a qualification through the provider)
- completion of job readiness training⁷: the number of youth in work or job placements following the completion of job readiness training
- rates of educational attainment and completion: the improvement in the level of enrolment, participation and completion in year 12 and/or post-secondary education or vocational education and training, which may include obtaining access to funding for education or training
- employment income: an indicator of being able to secure more work, or work at a higher pay level, during or after participating in a given intervention. This enables participants to access more stable housing and better health and wellbeing.

Broader outcomes that can be achieved by addressing youth unemployment include:

- **Stabilised housing through/for employment:** for youth who are homeless or at risk of becoming homeless, employment income could help youth gain stable housing and may be a consequence of gaining employment. More stable housing may also be necessary to be able to find employment, particularly for those who are homeless. An example measure could be 12 months in a stable housing arrangement.
- **Avoidance of relapse/re-admission:** not re-entering a relevant intensive service area such as the justice system or relevant health service admission.

We are also open to exploring other innovative measures associated with the broader social and wellbeing outcomes sought.

2. Potential cohort

We are particularly interested in interventions that complement and build on the NSW Government's effort to support vulnerable youth to transition to employment and to reach social and economic wellbeing and independence.

There are a number of at-risk cohorts who are more likely to experience unemployment and for longer periods than their peers. Research has shown that at-risk youth who experience individual barriers have a significantly lower chance of completing their education and transitioning to employment without the aid of additional supports. Such barriers include alcohol and other drug abuse, criminal behaviour, homelessness, coming from a family background of joblessness, or having limited access to education or transport. Many of these barriers can co-occur and they are often interconnected, compounding the risk of a young person facing long-term unemployment (Social Ventures Australia, 2016).

Youth who are subject to one or more of the following barriers may be at higher risk of experiencing long-term unemployment or underemployment:

- low educational attainment
- disengaged from or not in employment, education or training (NEET) for an extended period

⁶ Note that this would need to be scaled for client complexity.

⁷ For many youth there is a need to undertake training for basic skills (such as communication, literacy or numeracy training) that need to be acquired before any formal training is undertaken, and that will also be required in order to gain sustainable employment.

- lack of familiarity with employer expectations
- poor communication skills
- a disability or illness that reduces capacity to participate in education or employment
- low wellbeing and/or confidence
- low degree of family support
- low exposure to positive role models
- a history of offending
- experiencing trauma
- experiencing high frequency of housing mobility/instability.

When these barriers are experienced together, they present a complex set of barriers that create greater distance to the labour market. While more than one of these barriers persists, it is likely that a young person will remain distanced from employment, putting them at higher risk of long-term unemployment or underemployment.

In light of this evidence and the need to link outcomes to future savings, potential target cohorts for a proposed intervention could include unemployed:

- youth in or leaving the juvenile justice system (both custodial and community)
- youth leaving out-of-home care
- youth who have not completed years 10 or 12 schooling, or Certificate I or II training
- youth who are homeless or at risk of homelessness
- Aboriginal youth.

3. Cohort data

3.1 Interaction with the juvenile justice system data

Youth involved with the criminal justice system are more likely than the general population to have experienced homelessness; have interacted with the child protection system (AIHW, 2012); and have a high prevalence of intellectual disabilities, learning disorders and mental health issues (Dowse et al., 2011; AIHW, 2013).

There are currently around 250 youth in custody in NSW: around 230 young men and 20 young women. Most youth are between 14 and 17 years of age, and of these, 54 per cent are Aboriginal. There are around 1,700 youth on community supervision orders each year.

The 2015 Young People in Custody Health Survey showed that:

- 21 per cent of youth had been placed in care before the age of 16 years, with no differences according to gender or Aboriginality
- 54 per cent have had a parent in prison. This was more likely for Aboriginal participants than for non-Aboriginal participants (67 per cent vs 37 per cent)
- 27 per cent were attending school prior to custody, with no differences according to gender or Aboriginality
- 18 per cent had an IQ in the extremely low (intellectual disability) range (under 70), with differences according to gender (females 27 per cent versus males 18 per cent), and for

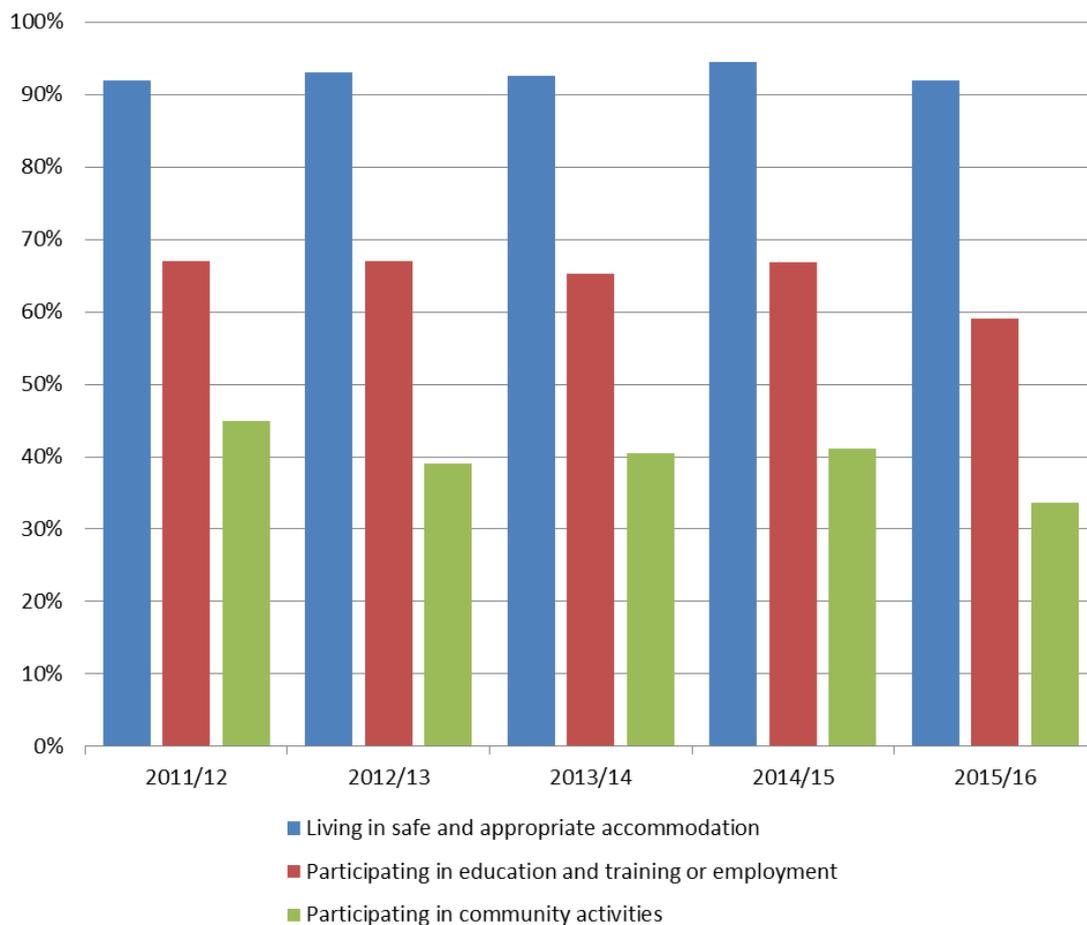
Aboriginal youth (Aboriginal 25 per cent versus non-Aboriginal 11 per cent)

- 51 per cent had severe difficulties (70 and below) in core language skills, with differences between males and females (females 61 per cent versus males 51 per cent), and for Aboriginal youth (Aboriginal 60 per cent versus non-Aboriginal 43 per cent)
- 79 per cent had severe difficulties (70 and below) in reading comprehension, with differences according to gender (females 94 per cent versus males 78 per cent), and between Aboriginal and non-Aboriginal youth (Aboriginal 85 per cent versus non-Aboriginal 73 per cent)
- 83 per cent were found to have a psychological disorder, with differences according to gender (males 84 per cent versus females 79 per cent), and for Aboriginal youth (Aboriginal 86 per cent versus non-Aboriginal 82 per cent).

This is a difficult and complex group, who are at risk of poor long-term outcomes if their needs are not addressed. The experience of NSW Department of Education staff in Juvenile Justice Centres shows that working with these youth in small groups with intensive learning models can improve skills in literacy and numeracy in short periods of time (the average sentence for juveniles is 115 days).

As shown in Figure 1 below, one-third of youth exiting the juvenile justice system are not in education, training or employment (Justice NSW, 2016).

Figure 1: Per cent of youth exiting Juvenile Justice, by category



Further, key findings of a report conducted by the NSW Audit Office Report (2016) suggest that a

gap currently exists for services available that specifically aim to increase education and training for youth after exiting detention. The report noted that there is no overarching integration strategy that sets out how accommodation, education and employment outcomes will be improved, indicating the need for wrap-around services to address this gap.

3.2 Interaction with the out-of-home-care (OOHC) system

About 1,300 youth aged 15-17 years exit care each year. Compared to their peers, OOHC leavers are at greater risk of poor social and economic outcomes throughout their life. As a result, they are more likely to access a range of government services, including housing support, hospital and community care, as well as the justice system.

The NSW Government recently undertook analysis to better understand the life pathways of young people who exited care in their late teens and the costs of their service needs. Some of the observations are below:

- The average long-term cost to the NSW Government of meeting the service needs of an OOHC leaver is estimated to be about \$290,000 over 20 years post exit.
- Almost a third (28 per cent) of the \$4.7 billion cost is justice-related, nearly one quarter (24 per cent) comprises child protection services for the next generation and one fifth comprises ambulance costs.
- Risk and cost are highly concentrated within a few small sub-cohorts. Most notably, the average 20-year costs are exceptionally high for a small group of care leavers with prior court appearances or custody who were also Aboriginal and male. Their 20-year costs are eight times higher than for the lowest-risk/cost segment of OOHC leavers.
- Service usage pathways are generally high and vary considerably between sub-cohorts. Some notable examples:
 - In general, OOHC leavers' children are more than 10 times more likely to also need OOHC compared to the general population. This varies markedly by gender; 20 per cent of females and 12 per cent of males in the cohort are forecast to have a child in protective services sometime in the 20 years since exit from care.
 - Court appearance, time in custody and ambulance costs are on average significantly higher for males compared to females. Male Aboriginal leavers with previous court or custody history are more than 90 per cent likely to have future time in custody.
 - More than half of all OOHC leavers utilise some form of homelessness assistance.

It was also noted that, on average, OOHC leavers will spend one and a third years in public housing. This amount almost doubles for Aboriginal care leavers.

3.3 Youth who have not completed Year 12 schooling or an equivalent vocational qualification

Evidence suggests that completing Year 12 (or an equivalent vocational qualification) is a key factor in improving economic and social opportunities in life, through preparing students for tertiary education and the labour market, and to become engaged citizens (Pech et al. 2009). Youth in Australia who have not completed a secondary school or training qualification are four times less likely to successfully transition to full-time work (Deloitte Access Economics, 2012).

Between 2005 and 2014, the proportion of youth in NSW aged 20-24 who had completed Year 12 or at least Certificate II increased. In 2014, females were more likely than males to have completed

Year 12, or Certificate II or III. Further, the rate of completion for non-Aboriginal youth is much higher than that for Aboriginal youth (87 and 59 per cent, respectively) (ABS, 2014).

3.4 Data on youth who are not engaged in education or employment

Youth who are 'not in employment, education or training' (NEET) are considered to be fully disengaged from work and study. This non-participation among youth has been linked to future unemployment, lower incomes and employment insecurity (Pech et al. 2009), placing youth at risk of social and economic disadvantage and social exclusion.

Based on the 2011 Census of Population and Housing, some groups of 15-24 year olds were over-represented in the NEET group compared with their representation in the total youth population (AIHW, 2015)⁸. These groups included:

- Aboriginal youth (12 per cent in the NEET group compared with 4 per cent in the total youth population)
- youth who do not speak English well or at all (14 per cent compared with 5 per cent)
- youth needing assistance with core activities such as self-care, body movements or communication (6 per cent compared with 2 per cent)
- those living in inner regional and outer regional areas (31 per cent in NEET compared with 25 per cent in the total youth population)
- those living in remote and very remote areas (5 per cent in NEET, 2 per cent in total youth population).

The NEET group is made up of unemployed people (those who are not in employment but are looking for work) and those 'not in the labour force' (NILF - those who are not employed and are not looking for work). LSAY data indicate that, in 2011, 80 per cent of unemployed NEET were looking for full-time work while 20 per cent were looking for part-time work. Among those who were NILF, a high proportion of young women (71 per cent) were undertaking home duties and/or looking after children, whereas young men were most likely to be undertaking 'other (unspecified) activities' (53 per cent) or travelling or on holidays (24 per cent) (AIHW, 2015).

The following table presents statistics on youth participation in education and training in Australia (AIHW, 2015). This shows that in 2014, 16.4 per cent of 20-24 year olds had not stayed in education from Year 7/8 to Year 12, and 13.1 per cent had not completed Year 12. It also shows that 57.8 per cent of 20-24 year olds had not received a post-school qualification, and 25.9 per cent were not fully engaged in education and/or employment.

Table 1: Key statistics on youth participation in education and training, Australia

Education and training participation	Category	Per cent (year)	Per cent (year)	Trend
Education and training participation	<i>Participation in education and training</i>	—	—	—
	15-19 year olds	75.5 (2005)	82.0 (2014)	√
	20-24 year olds	37.9 (2005)	42.5 (2014)	√
School retention	<i>Year 7/8 to Year 12 apparent retention rate</i>	72.3 (2000)	83.6 (2014)	√
School	<i>Completion of Year</i>	73.5 (2005)	76.9 (2014)	√

⁸ AIHW (2015), analysis of 2011 Census.

completion	<i>12 (20-24 year olds)</i>			
Post-school qualifications	<i>Enrolment in study towards a post-school qualification</i>	—	—	—
	15-19 year olds	25.2 (2005)	26.6 (2014)	~
	20-24 year olds	37.6 (2005)	42.2 (2014)	√
	15-24 year olds	31.5 (2005)	34.8 (2014)	√
	<i>Attainment of a non-school qualification</i>	—	—	—
	15-19 year olds	7.6 (2005)	10.0 (2014)	√
	20-24 year olds	44.8 (2005)	45.9 (2014)	~
Apprentices and trainees	<i>Participation in apprenticeships or traineeships</i>	—	—	—
	15-19 year olds	9.1 (2004)	7.4 (2013)	x
	20-24 year olds	7.4 (2004)	6.8 (2013)	~
	15-24 year olds	8.3 (2004)	7.1 (2013)	x
Fully engaged	<i>Fully engaged in education and/or employment</i>	—	—	—
	15-19 year olds	85.7 (2005)	87.2 (2014)	√
	20-24 year olds	78.0 (2005)	74.1 (2014)	x
	15-24 year olds	81.8 (2005)	80.3 (2014)	~
Combining work and study	<i>Combining full- or part-time education and employment</i>	—	—	—
	15-19 year olds	35.3 (2005)	32.7 (2014)	x
	20-24 year olds	25.7 (2005)	25.4 (2014)	~
	15-24 year olds	30.4 (2005)	28.8 (2014)	~
Non-participation	<i>Not in education, employment or training (NEET)</i>	—	—	—
	15-19 year olds	7.7 (2005)	7.1 (2014)	~
	20-24 year olds	12.0 (2005)	12.9 (2014)	~
	15-24 year olds	9.9 (2005)	10.2 (2014)	~

Key: √ = favourable trend; x = unfavourable trend; ~ = no change or clear trend

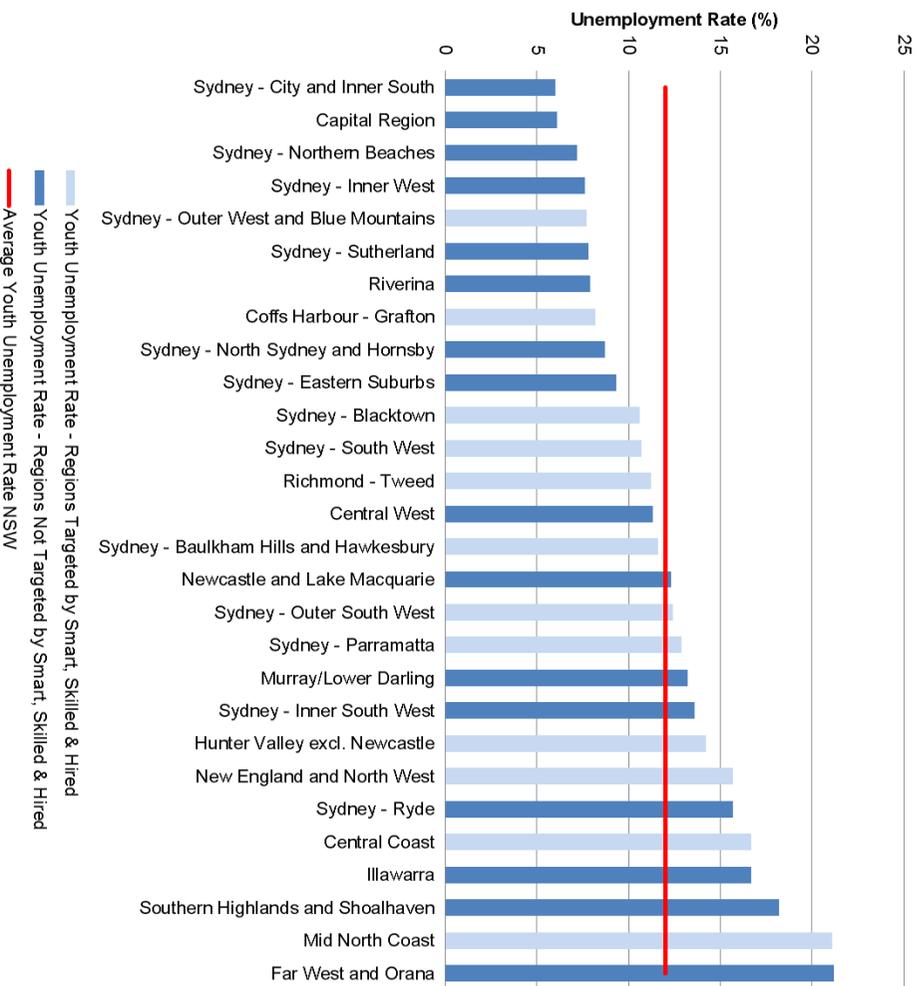
3.5 Youth who are homeless or at risk of homelessness data

Of youth receiving assistance from Specialist Homelessness Services in 2014-15, around 17 per cent (or 2,367) cited employment difficulties and unemployment as a reason for seeking assistance. The risk of homelessness is also well understood to be a barrier for young people to secure and maintain stable employment, as it has profound risks for their physical and mental health and their access to education and training. This can entrench disadvantage and make exiting homelessness more difficult. As a result, reducing youth homelessness is one of the Premier's Priorities.

4. Location data

The following chart presents the 12 month average youth unemployment rate by NSW region at August 2016 (ABS, 2016).

Figure 2: Youth Unemployment Rate, by SA4 (12 Month Average, August 2016)



Average youth unemployment rates across regions in New South Wales are depicted in Figure 2. The light blue columns represent regions that are expected to be targeted by the NSW Government Smart, Skilled and Hired initiative. The dark blue columns represent regions that are not expected to be targeted by Smart, Skilled and Hired. Proponents should be aware of these regions in order to avoid overlap and duplication.

5. Avoiding duplication with other programs and initiatives

To enable a viable social impact investment, it will be important for any intervention to complement rather than duplicate or overlap with existing programs and services that are also targeted at the vulnerable cohort proposed above. For example, if a participant in the intervention is accessing similar services externally to those offered in the intervention, it will be difficult to attribute participant progress against the agreed outcomes. In some cases, the intervention may function to link the participant to or directly access funding or services that are offered to a broader cohort than the intervention cohort, such as employer subsidies. Programs at the State and Commonwealth level with significant potential overlap are discussed below.

5.1 NSW Government: Smart, Skilled and Hired

It is intended that the youth employment sub-program will operate in regions across the north-east of NSW and Western Sydney. These regions were selected to ensure that a cross section of industries and geographical areas are covered by the sub-program. High youth underemployment

and disengagement rates and total population were also considered. The following regions are expected to be partly or fully covered in requests for tender (planned for December 2016) for the Smart, Skilled and Hired initiative:

- New England and North West
- Richmond - Tweed
- Coffs Harbour - Grafton
- Mid North Coast
- Hunter Valley (excluding Newcastle)
- Central Coast
- Sydney - Baulkham Hills and Hawkesbury
- Sydney - Parramatta
- Sydney - Outer South West
- Sydney - South West
- Sydney - Blacktown
- Sydney - Outer West and Blue Mountains.

5.2 NSW Government: Future Directions for Social Housing

The Future Directions strategy includes:

- A specialised job service to assist all disadvantaged job seekers in social housing areas to get and keep a job. Model design is underway with pilot locations still to be determined. A non-government organisation will be funded to deliver this service.
- Personal support plans will be available to some social housing clients in select locations, with the aim of increasing their engagement in education and employment, and building housing independence. The plans are an agreement between a client, a housing provider and a support provider, whereby the client commits to work towards agreed, realistic goals in exchange for tailored services and supports. The core components are case work with brokerage attached, with the support provider facilitating referrals to relevant services. Monitoring and evaluation measures will be put in place to support continuous improvement of the program, and track client outcomes over the course of the plan.
- A partnership between the NSW Department of Family and Community Services and the NSW Department of Industry to provide social housing clients with access to, and engagement with, quality vocational education and training. Clients are supported to complete a partial vocational qualification and also receive assistance with childcare and transport, as well as building their skills in literacy, numeracy and communication. The regions this initiative targets include: Sydney; Western Sydney; Central Coast; Hunter Valley; and Mid-North Coast⁹.

5.3 Australian Government: Empowering YOUth

The Commonwealth Empowering YOUth initiative involves not-for-profit and non-government organisations proposing innovative ideas to help youth 15-24 years identified to be long-term unemployed or at risk of welfare dependency. Round 1 of the initiative focuses on assisting:

⁹ Note that proponents should refer to the following website for information on current openings as it is released: https://www.facs.nsw.gov.au/about_us/news/careerpathways-helps-you-build-the-confidence-and-skills-to-find-a-job

- youth in regional Australia, especially in those areas that are undergoing structural change or with high levels of social disadvantage
- Aboriginal youth
- youth from a culturally and linguistically diverse background (CALD)
- early school leavers.

Five organisations are delivering initiatives located in Western Sydney and select regional areas. Listed in the Australian Government Department of Employment's Empowering YOUTH Initiatives webpage (Department of Employment, 2016a), these include NextGEN Digital Development, which is run by Kiama Community College across the Capital Region (SA4). Operating between July 2016 and June 2018, the three-phase 20-week program targets youth at risk of long-term unemployment and who express an interest or demonstrate talent related to ICT (Department of Employment, 2016b).

5.4 Australian Government: Transition to Work

Transition to Work is a service to support youth aged 15-21 on the journey to employment. The service has a strong focus on practical intervention and work experience to build a young person's skills, confidence and readiness to engage in employment. Youth receive intensive, pre-employment support to improve their work readiness and to help them into work or education including apprenticeships or traineeships. Employers receive help from Transition to Work providers to recruit young employees who meet their business needs. Transition to Work providers have experience working with disengaged and disadvantaged youth, and have strong links with employers, community services and schools within their local community (Department of Employment, 2016c).

5.5 Possible regions for a targeted intervention

As described above, there are a number of government initiatives targeting youth unemployment across NSW, and it is important that interventions do not duplicate or overlap with existing programs and services. This will be important to ensure that outcomes from the intervention can be robustly measured. We expect that proponents would target regions with high levels of youth unemployment.

The regions listed below are not targeted by the aforementioned State and Commonwealth initiatives (youth unemployment rates in brackets¹⁰):

- Far West and Orana (21.2%)
- Southern Highlands and Shoalhaven (18.2%)
- Illawarra (16.7%)
- Sydney - Ryde¹¹ (15.7%)
- Sydney - Inner South West¹² (13.6%)
- Murray/Lower Darling (13.2%)

¹⁰ Average annual youth unemployment rate at September 2016 (ABS, 2016).

¹¹ Note that this region is partially included in or has a significant population bordering regions targeted by the Smart, Skilled and Hired initiative.

¹² Note that this region is partially included in or has a significant population bordering regions targeted by the Smart, Skilled and Hired initiative.

- Newcastle and Lake Macquarie¹³ (12.3%)
- Central West (11.3%)
- Sydney - Eastern Suburbs (9.3%)
- Sydney - North Sydney and Hornsby (8.7%)
- Riverina (7.9%)
- Sydney - Sutherland (7.8%)
- Sydney - Outer West and Blue Mountains¹⁴ (7.7%)
- Sydney - Inner West (7.6%)
- Sydney - Northern Beaches (7.2%)
- Capital Region¹⁵ (6.1%)
- Sydney - City and Inner South (6.0%).

6. Opportunities for social impact investments

There are a number of apparent gaps in current service provision that could be met by a social impact investment initiative. These are listed below for information; however, investment opportunities are not limited to those specified in this document.

6.1 Addressing the gaps in youth unemployment services

There are certain groups of youth for whom current services are not adequate. As per section 2 ('Potential cohort') of this Appendix, these youth include those:

- who are leaving or have been in the juvenile justice system
- who are leaving or have been in out-of-home care
- who have disengaged from education before completing year 10 or equivalent
- who are homeless or at risk of homelessness
- who are Aboriginal.

For youth at risk of long-term unemployment, possible approaches that are attractive for social impact investments to address gaps in current service provision include:

- integrated training, work and personal skills programs for at-risk youth (such as in 'work integration social enterprise' models (Buckingham and Teasdale, 2012; Fowkes and Middleton, 2012)
- wrap-around packages of support and facilitated access for youth not in employment, education or training
- programs targeted specifically at sustainable employment outcomes for Aboriginal youth.

The Social Policy Research Centre's 2015 report 'Unpacking Youth Unemployment' (Skattebol et al, 2015) suggests that good practice in programs that aim at addressing youth unemployment can involve:

- tailoring to particular needs

¹³ Note that this region is partially included in or has a significant population bordering regions targeted by the Smart, Skilled and Hired initiative.

¹⁴ Note that this region is partially included in or has a significant population bordering regions targeted by the Smart, Skilled and Hired initiative.

¹⁵ Note that the South Coast SA3 region within this SA4 region has high youth unemployment – greater than the NSW average.

- building genuine caring relationships
- trusting facilitation of relationships and investment between youth services, education and employment or other services, and employers
- professional support for non-youth/social worker staff and partners ensures they are well matched, have clear realistic expectations and have appropriate information on pathways
- running for over three months and include integrated follow-up post intervention
- systematic post-placement or participation support for participants
- investment and partnerships with organisation that offer service beyond the remit of education and employment services
- effective data and monitoring systems to consistently measure participant outcomes and destinations to inform the program.

There are several local initiatives in NSW regions that could be complemented or built on, including:

- Central West and Orana: Youth are leaving the region to obtain qualifications, yet expanding industries such as aged care, construction and business support are unable to find skilled staff to meet demand. To tackle this, a partnership has been developed between TAFE Western and Charles Sturt University to deliver targeted training to provide a pathway to ongoing employment, particularly for Aboriginal people. There is also a program for TAFE construction students to provide them with work experience on government-funded construction projects, as well as assisting Aboriginal people to enter the NSW Police Academy through the Indigenous Police Recruiting Our Way Delivery (IPROWD) program.
- Illawarra: The Illawarra Youth Employment Strategy involves a set of nine actions in partnership with local businesses, clubs and associations (Illawarra Pilot Joint Organisation, 2015).
- South East and Tablelands: the NSW Government is leading a strategy to partner with industry to develop education and training pathways, promoting the ageing/disability support sector as a career option and developing a range of flexible training and education options for youth, the unemployed and Aboriginal people in these sectors.

6.2 Transition from education and training to employment

Interventions could begin while the young person is still in school but at risk of a poor transition or they could begin post disengagement with the education and training system. To ensure sustainable outcomes are being achieved, interventions would most likely need to continue in some form until after the young person is in employment. The payment structure of any social impact investment transaction will likely be a final outcome measure that is beyond the duration of intervention.

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