



National Audit Office

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## **Report**

by the Comptroller  
and Auditor General

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**Cabinet Office and Department for Culture, Media & Sport**

# National Citizen Service

## Key facts

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**93,000**

estimated National  
Citizen Service (NCS)  
participants, 2016

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**23%**

current annual growth  
rate in participants,  
2015 to 2016

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**360,000**

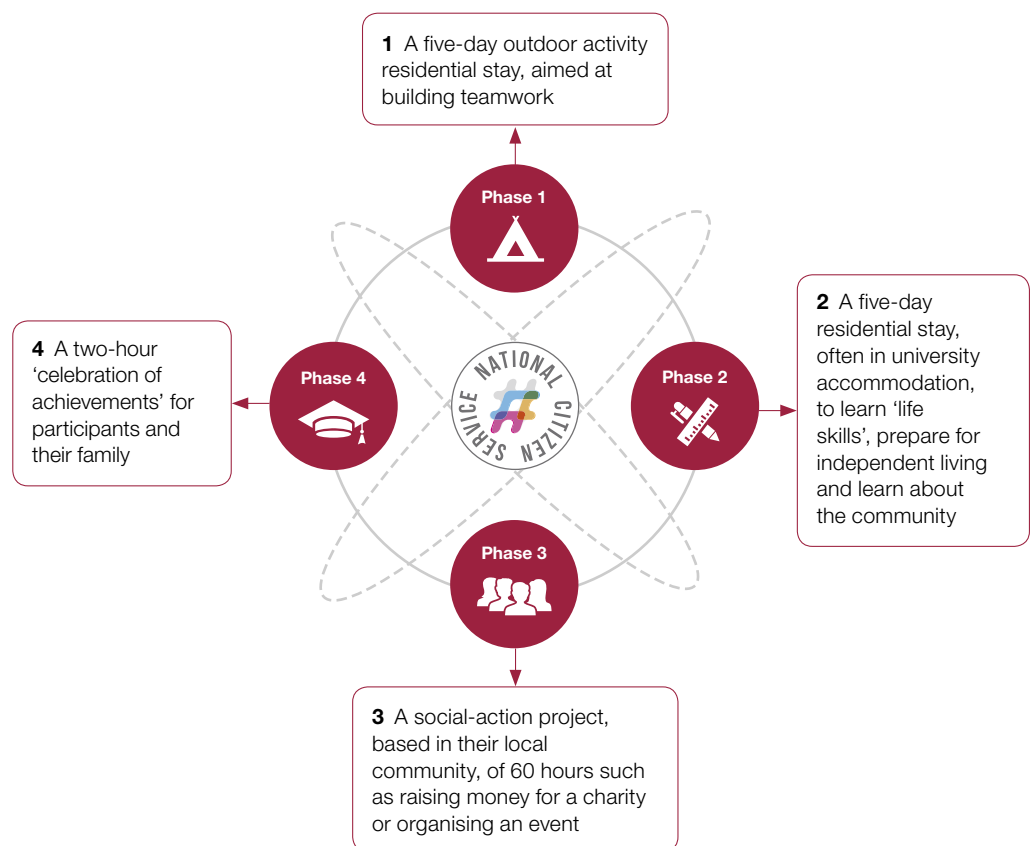
aim for NCS participants,  
2020-21

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- £1.26 billion** grant funding committed by government, 2016–2020
- £1,863** estimated full unit cost per participant completing NCS, 2016
- £10 million** estimated amount paid to providers for NCS places that were not filled in 2016 and that may be reclaimed
- 40%** required annual growth from 2016 NCS participants to provide spaces for 360,000 in 2020
- 55%** percentage of young people aware of NCS, July 2016
- 9 months** estimated lead-in time for setting up an NCS programme
- 32%** percentage of participants from minority ethnic groups, 2016

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Most National Citizen Service programmes comprise:



# Summary

**1** The Cabinet Office established National Citizen Service (NCS) programme in 2011 as part of its 'Big Society' agenda to bring together local communities. This followed earlier pilots supported by the Conservative party. The then Prime Minister's stated ambition was for NCS to become universal and a 'rite of passage' for young people and lead to a more responsible, cohesive and engaged society. It aims to bring together 16- and 17-year-olds from different backgrounds to support their local community and their transition into adulthood through developing teamwork, leadership and communication skills.

**2** An NCS course is normally four weeks and involves groups of 12 to 15 young people undertaking an outdoor residential to improve team-building skills; a residential to learn life skills and prepare for independent living; and a community project, such as planting a communal garden or arranging a family fun day. All 16- to 17-year-olds across England and Northern Ireland can participate.

**3** In 2013 the Office for Civil Society (OCS), then part of the Cabinet Office with the responsibility for NCS, set up the NCS Trust (the Trust) as a community interest company funded by the OCS, to take over managing NCS. The Trust is responsible for increasing the number of young people participating in NCS, ensuring a high-quality NCS, reducing costs and ensuring the long-term sustainability of NCS. Since NCS launched, the OCS and, latterly, the Trust have focused on growing participation and demonstrating that NCS has an impact on young people. Up to 2015-16, the OCS spent £443 million and committed a further £1.26 billion to 2020.

**4** The Trust contracts third parties to provide NCS across 18 regions, coordinating the programme itself in one area. It pays them to go into schools, sign up young people, and run courses. It currently contracts nine providers, including three private sector companies and four not-for-profit bodies. Providers work with 300 other organisations, most of whom are not-for-profit local bodies specialising in youth work.

**5** In July 2016, the government announced that the Department for Culture, Media & Sport (DCMS) would take responsibility for the OCS and NCS from the Cabinet Office. It also intends for the Trust to become a Royal Chartered body. A draft charter is currently being considered by Parliament alongside the National Citizen Service Bill, which aims to ensure NCS becomes a 'national institution', and governance and accountability match NCS funding.

## Scope of this report

**6** In this report we consider how well the implementation of NCS represents value for money, both now and in the longer-term. Specifically, we look at the early programme performance (Part One); the OCS's approach to setting out its aims and targets (Part Two); and how well the OCS and Trust manage the programme (Part Three).

**7** Appendices One and Two provide full details of our approach and methods.

## Key findings

NCS has had early successes but it is too early to assess its long-term impact

**8 Since being piloted in 2011 and 2012, NCS has grown rapidly with 93,000 young people participating in 2016.** Over the past six years, 300,000 young people have participated. Around 17,000 more young people undertake NCS each year, with the number of participants increasing 31% and 23% in 2015 and 2016 respectively. As a result, 12% of those eligible for NCS in 2016 had participated in the programme (paragraph 1.10 and Figure 4).

**9 NCS participants come from diverse backgrounds, with a higher proportion of people from disadvantaged backgrounds than the general population.**

NCS aims to encourage young people from different backgrounds to mix through a local, community-based programme. Our analysis showed that nationally a range of young people have undertaken NCS, with a greater proportion from minority groups, such as those on free school meals, than the national population. However, it also showed that the population of some local areas did not include a mix of young people with different characteristics, in particular ethnicity and income, and that at a local authority level the mix of NCS participants has not always reflected local area characteristics (paragraphs 1.11 to 1.15 and Figures 5 and 6).

**10 External evaluations show NCS has an initial positive impact on participants, and participants would recommend NCS to others.**

Evaluations, commissioned by the OCS, show NCS has a positive effect on how a sample of young people feel and perceive themselves three to five months and 16 months after the programme. Three to five months after the programme, 80% of young people felt more positive towards those from different backgrounds and 70% were more likely to help in their local area (paragraphs 1.16 and 1.17, Figure 7).

**11 As NCS pilot participants will have reached 21 years of age in 2016, it is too early to say whether the programme is going to meet its long-term objectives of contributing to a more responsible, cohesive and engaged society.**

Independent evaluations assess the impact of NCS on a sample of participants three to five months, sixteen months and two years after the programme. However, the OCS has not yet established a baseline to assess longer-term performance or identified how longer-term outcomes could be tracked, which can be difficult to do. It is currently considering how to make the most of its ability to match individuals' information across government datasets (paragraphs 1.18 and 1.19).

Although NCS participation has grown, this has not been as quickly as desired and the extent of potential future growth is unclear

**12 Participation in NCS is not increasing as fast as the OCS or Trust hoped.**

In February 2016, the OCS set an aim to grow participation to 360,000 (60% of 16-year-olds) in 2020-21, quadruple that of 2016. If the number of participants continues to increase at the current annual rate of 23%, there would be 213,000 participants in 2020-21 (paragraphs 2.2 and 2.3, Figure 9).

**13 The OCS also set annual participation targets, which have not been met.**

Alongside longer term aims, spending review limits and requirements for multi-year provider contracts, the OCS sets annual targets to grow NCS. The Trust did not meet this target in 2016, with actual participation 13% lower. Before 2016, the OCS did not consider prior performance or evidence of what could be achieved when setting targets. In 2015-16, the participation target exceeded the number of places providers were contracted to provide by 29%. For 2016-17, the OCS set the annual target equal to the contracted number of places which had already been set when contracts agreed in 2014 (paragraphs 2.12 and 2.13, Figure 13).

**14 It is not clear whether the OCS and Trust can accelerate growth of NCS participants at the pace aspired.**

The Trust's modelling, from summer 2015, showed NCS participation could increase to 269,000 through, for example, business as usual growth and policy changes. It is unclear how OCS used this analysis to set its 360,000 participation aim. The Trust updated its plans in response to this aim. These included young people being automatically enrolled on NCS, with an option to opt-out, supported by a formal requirement that schools promote NCS and NCS is considered in school inspections. In May 2016, the Queen's speech introduced the NCS Bill, which proposed a formal duty on schools to promote NCS. This did not reflect the Department for Education's published commitment. However, the Bill, laid before Parliament in October 2016, did not reference this duty. The OCS continues to consider next steps (paragraphs 2.5 to 2.10 and Figure 10).

**15 OCS and the Trust recognise barriers to participation but, working with others, can do more to overcome these.**

Funding has been available for all those who want to participate in NCS, but young people do not attend for a range of reasons. NCS participants come from 88% schools targeted by the Trust, but only 63% of independent schools. The Trust's analysis shows that 55% of 17-year-olds are aware of NCS, and that to raise participation to 360,000 70% of young people would need to be aware of NCS. In 2016, 26% of young people expressing an interest in NCS went on to complete the programme. Of the 8,500 people withdrawing in summer 2016, 20% were busy doing other things and 17% were on holiday (paragraph 2.11 and Figures 11 and 12).

**16 Ambitious aims and stretch targets have encouraged significant growth, but have come at a financial cost.**

The Trust has focused its efforts on meeting targets alongside considering the programme's performance. A focus on growth also encouraged the Trust to use certain media, such as television, in addition to social media. It also led the Trust to pay providers an estimated £10 million, in line with the contract, for places that were not filled which it plans to recover, for the first time, in 2016 (paragraphs 2.14 to 2.16 and Figure 14).

The management of NCS has not kept pace with its growth

### **Governance of NCS**

#### **17 The Trust was set up in 2013 to manage NCS outside of government.**

The OCS formed the Trust with the intention of better supporting the long-term sustainability of NCS and to allow efficient and effective programme expansion and innovation. It set the Trust up as a community interest company, rather than an executive agency, to give it more independence outside of government. The National Citizen Service Bill, currently going through Parliament alongside a draft Royal Charter, aims to ensure its governance and accountability are appropriate for the increased level of public funds it will manage (paragraph 1.5 to 1.9).

#### **18 It has taken time for the Trust to develop some of the capability necessary to deliver a programme the scale of NCS.**

In its first year, the Trust set up processes to manage its contracts with NCS providers and responded to poor performance. The Trust relied on data from providers' own systems on participation and school involvement until 2015 when it set up a single data system. During 2016, the Trust has made a number of senior appointments to bring in greater management and commercial capability (paragraph 3.2).

#### **19 Processes, across the OCS and Trust, have not suited the desired pace of growth.**

The autumn 2015 Spending Review set out the maximum annual NCS funding to 2019-20. The OCS believes this, alongside multi-year contracts between the providers and the Trust, provide certainty over funding. At a more detailed level, the OCS agrees the Trust's business plan and annual grant each March for the following financial year. This cycle means the OCS cannot confirm precise funding and targets, which could differ from high-level projections, with the Trust until six months into the planning cycle. At this point, the Trust and providers have already taken most of the decisions and had to invest in future programmes. It has also led to attempts to learn and plan being carried out too quickly and against conflicting priorities. The Trust has also made commercial decisions late in the process, partly because of the continual cycle of NCS programmes, distracting providers and impacting their ability to plan (paragraphs 3.3 to 3.8 and Figure 15).

### **Commercial arrangements**

#### **20 The OCS and then the Trust have created a market of providers and are on their second round of contracts.**

NCS providers covered 19 defined regions. The Trust relies heavily on the Challenge Network, which are contracted to provide 43% of places, some of which it sub-contracts, across seven regions, the maximum the Trust allows. The Challenge Network was set up in 2009 to launch the first version of the programme and helped develop the policy. More broadly, providers put their own brand alongside NCS, which has benefits but creates a risk some participants confuse the two. This, alongside decision-making and annual processes, risks impacting the sustainability of the market (paragraphs 1.8 and 3.14).

**21 Commercial terms aim to incentivise growth, but have not led providers to achieve the desired level of growth, and do not explicitly encourage them to innovate or meet all the NCS societal aims.** The payment-by-results structure encourages providers to agree a high number of commissioned places and incentivises growth through bonus payments where more young people participate. However, in 2016, five of the nine providers did not meet their target for filling these commissioned places. Providers receive 5% of the total cost for meeting objectives linked to social cohesion. Payments are not linked to other NCS aims, such as social responsibility and engagement (paragraphs 3.10 to 3.13 and Figure 16).

**22 New commercial arrangements need to be in place by autumn 2018.** Since autumn 2016, the Trust has been considering options to change the commercial model. With 18 months left until new contracts need to come into force it has limited time as market engagement and procurement can take more than a year to conduct for contracts of this scale (paragraph 3.14).

### **Cost control**

**23 The OCS and Trust do not yet fully know how much NCS should cost and, so far, have not prioritised cost control.** The OCS funds the Trust through a grant. It has not developed a full cost model to understand what it should be paying the Trust per participant and the OCS told us it requested funding from HM Treasury based on provider costs. The Trust has cost control as one of its four strategic objectives. Our analysis of the Trust's board minutes and papers shows the Board has not focused on understanding and controlling costs. The Trust's business plan includes initiatives focusing on cost control. It is in the early stages implementing these initiatives and told us that it continues to see cost as a priority from 2017 onwards (paragraphs 3.16 to 3.17, Figures 14 and 17).

**24 NCS has cost more per participant than was anticipated and needs to reduce by 29% to remain within the Spending Review limit.** To date, the Trust's spending has been within the funding made available as part of the Spending Review process. Taking into account all NCS costs, OCS and the Trust currently expect to spend £1,863 for each participant in 2016. However, the autumn 2015 Spending Review implied a unit cost of £1,562 per participant in 2016, lower than the Trust's target unit cost of £1,794 agreed between the Trust and OCS in the grant agreement. The cost per participant needs to fall by 29%, to £1,314 in 2019, for the Trust to provide 300,000 places and stay within the funding envelope made available as part of the autumn Spending Review. The OCS and Trust forecast unit costs will decrease over time as participation numbers increase, investment costs reduce and they reconsider how NCS will be delivered. Providers currently receive 83% of NCS spend, which is fixed in the contracts. Achieving the required cost reductions depends on commercial negotiations in 2018 and reducing the remaining 17% of costs which cover the Trust's running costs, marketing, transformation and investment costs (paragraphs 3.18 to 3.19 and Figure 17).

### **VFM Conclusion**

**25** It is still early days, but NCS has shown it can attract large numbers of participants and participation has a positive short-term effect on young people. These are no small achievements. However, it remains unclear whether these effects are enduring, whether NCS can grow to become 'a rite of passage' available to all 16- to 17-year-olds or whether NCS will realise its longer-term aims of contributing to social cohesion, responsibility and engagement.



**26** NCS is now at a critical stage. Having shown the concept of a national citizen service has something to offer young people, to demonstrate value for money the OCS and the Trust now need to show they can grow NCS as intended and run it at more affordable cost to the taxpayer. As currently constituted, it is not clear how the programme will do this. Weaknesses in governance and cost control need to be addressed. Notwithstanding the limited time available to adjust the next round of contracts, the OCS and Trust need to think carefully about their plans to take the NCS to scale.

## **Recommendations**

**27** With DCMS taking responsibility for OCS and NCS offering an opportunity to revisit aspirations for growth, NCS is at a critical point. Both OCS and the Trust need to consolidate learning, understand what is possible and begin to build a mature programme. They need to:

- a identify and understand the maximum likely voluntary participation.** Undertaking an evidence-based assessment to understand what can be realistically achieved, within what timescale, and at what cost, will allow OCS to set stretching but realistic ambitions.
- b think innovatively about how best to achieve NCS's aims cost-effectively.** Working with the market, participants and wider stakeholders, the OCS and Trust can think radically about the aspects of the current programme that work. This could include analysing the marginal benefit of each course component to understand what is critical, and can be rolled out at scale, and how other organisations could be involved in providing NCS.
- c think innovatively about the best way to manage the supply chain.** The Trust has started to engage the market to identify future delivery models. This should consider the full range of options for potentially delivering NCS, from contracting to setting a regulatory framework for a market of providers with greater user choice.
- d work alongside government to identify what support is possible and make sure this is given.** We have seen how significant NCS growth cannot be achieved without cross-government support. OCS needs to build on existing work with wider government to understand how NCS fits into the government's agenda and to identify and exploit opportunities.
- e establish plans to evaluate the longer-term outcomes of NCS for young people and communities.** For NCS to be sustainable and continue to attract the funding it has to date, the impact of its short- and long-term outcomes needs to be clear. An approach to assessing outcomes needs to be set up now. This could include OCS using its powers to link datasets across government.
- f Allow the necessary time to develop this thinking and the future approach.** Considering what can be achieved, and how, for a new and evolving programme takes time. This becomes more difficult when operations and programmes continually expand without pausing to assess progress.