

Date: 29th July 2014

Title of Report: Report on Integrated Young People's Support Services - Fit for the Future – Options Appraisal

Ward(s): All

Portfolio: Cllr M Arif – Portfolio Holder for Children's Services

Executive Summary:

Integrated Young People's Support Services (IYPSS) have undergone significant change in recent years as the service has re-designed in a context of reduced budgets (from over £9.1m in 2009/10 to £5.8m in 2014/15). Improved leadership at all levels, and related culture change have all helped support improved performance, despite the challenging budget reductions.

Future budget reductions will impact significantly on the services' ability to meet the demands placed upon it and an appraisal of options for future delivery arrangements has been undertaken. This has been considered by the Chief Executive's CMT on 3 separate occasions and a report, with proposals, is being prepared for Cabinet. The key proposal is that the Council commission the services currently provided by IYPSS from a not-for-profit body. Alongside this Scrutiny are asked to note the appetite for and to support the development of an IYPSS not for profit entity intending to follow a 'youth mutual' (where young people have a direct influence on decisions about service design and delivery), approach and that has the potential to be commissioned to provide a range of youth support services. The report for Cabinet, in draft, is attached, and is the subject of this report to Scrutiny.

Scrutiny are asked to note this report and to provide comments.

Reason for scrutiny:

The report was requested by the Chief Executive as a preliminary stage to presenting a report to Cabinet.

Recommendations:

- 1. Scrutiny notes the contents of the report and gives consideration to the information provided*
- 2. Scrutiny supports the undertaking of the further work necessary to finalise the Cabinet report with a business case for the commissioning of IYPSS services from a not-for-profit body.*
- 3. Scrutiny supports the establishment of an IYPSS not for profit body which would intend to operate as a Youth Mutual in Walsall.*

Background papers:

Report and appendices (A-E) attached

Resource and legal considerations:

The resource and legal implications are considered in detail within the report.

Citizen impact:

The report considers how to maintain the effective provision of IYPSS's services and their continued beneficial impact on the outcomes for Walsall children and young people.

Environmental impact:

There is no specific environmental impact from this report.

Performance management:

All functions within IYPSS comply with required performance management arrangements.

Equality Implications:


All IYPSS services are intended to impact on the outcomes for all Walsall children and young people.

Consultation:

There has been no formal consultation in relation to this report but there has been corporate and IYPSS consultation activity and consultation with staff and service users (young people).

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Integrated Young People Support Services – Fit for the Future

Portfolio: Councillor Arif

Service: Walsall Children's Services

Wards: All

Key decision: Yes

Forward plan: Yes

1. **Summary**

- 1.1 This report sets out the outcomes of the Options Appraisal for the future delivery arrangements for Integrated Young People Support Services ("IYPSS") for Walsall.
- 1.2 The Options Appraisal set out to consider the question "**which mode of delivery is the most effective arrangement for ensuring the maintenance and continued development of high quality services to young people in a time of financial pressure and ensuring that outcomes for young people stand the best chance of improving**". It explores 19 key criteria and assesses these against three options as follows:
- the services remaining in the Council,
 - increasing commissioning of the third sector, or
 - procuring the services from a Not-for-Profit (NFP) body,
- and concludes that seeking to procure the delivery of IYPSS services from a NFP body is the best option.
- 1.3 This proposal is designed to:
- Reduce loss of service/resource
 - Further improve productivity
 - Support the best possible outcomes for young people

2. **Recommendations**

Cabinet is recommended to:

- 2.1 note the outcomes of the Integrated Young People Support Services (“IYPSS”) ‘Fit for the Future’ Options Appraisal included as Appendix A to this report;
- 2.2 approve the detailed business case for the delivery of IYPSS services;
- 2.3 approve the principle of the appointment of a not for profit (“NFP”) body to run and manage the IYPSS service provision for the Council;
- 2.4 approve the undertaking of a procurement process to seek providers to undertake the running and management of the IYPSS service provision;
- 2.5 approve the establishment of an **IYPSS Trust** as a Company Limited by Guarantee with charitable status or other suitable body (“the IYPSS NFP”) in order to participate in the procurement exercise referred to in the recommendation set out at paragraph 2.4 above;
- 2.6 approve the undertaking of a recruitment and selection process to appoint appropriate directors to enable the IYPSS NFP to be successfully and competently run;
- 2.7 to delegate authority to the Executive Director for Children’s Services, in consultation with the Portfolio Holder for Children, to:-
 - 2.7.1 accept tenders and award the contract for the provision of IYPSS services;
 - 2.7.2 negotiate and agree the terms of the contractual documentation between the Council and the service provider to enable the delivery of the service provision by a charity, including the grant of any leases to the charity;
 - 2.7.3 sign or authorise the sealing of any deeds, contracts and other related documents in relation to such service provision;
 - 2.7.4 do all that is reasonably necessary and appropriate to achieve the provision of IYPSS services by an external provider by no later than 1 April 2015.
- 2.8 approve the carrying out of any necessary consultations, including consultation with staff and unions, as a pre-condition to the implementation to the transfer which is referred to in the recommendation at paragraph 2.9 below;
- 2.9 authorise (subject to the outcome of the consultations which are referred to in the recommendation at paragraph 2.8 above) the transfer of the Council’s IYPSS service, including transferring the relevant employees, to the selected service provider.

3. Report Details

3.1 IYPSS has been re-shaping its structures and service offer over the last 4 years, getting in shape to be better equipped to deliver positive outcomes for young people in current and future environments. Key to this has been the development of a greater awareness of customer need (in terms of the Council, the community and young people). This, and the current financial climate for public services has led to a view that it is timely to examine what delivery vehicle/model would best suit the continued delivery **of high quality services, which meet the needs of young people (including vulnerable and looked after children and young people) and their communities, and provide an environment in which the offer can be grown.**

3.2 IYPSS and the Council have continued to make efficiencies and work smarter but recognise that this approach in itself will not mitigate the full impact of budget reductions on the Council, Children's Services or IYPSS. This options appraisal will potentially help deliver the 'Shaping the Future' work, to support Walsall residents to lead *'healthy and fulfilling lives with least recourse possible from the state'*.

IYPSS has already maximised the return through its performance (despite its decreasing investment. For example it's Youth Justice Service is 'performing well' (Youth Justice Board report 2013/14) and both levels of young people not in education, employment or training (NEET) and the levels of youth related anti-social behaviour have reduced year on year. The IYPSS budget reductions 2010/11 – 2014/15) are illustrated below:

	2010/11	2011/12	2012/13	2013/14	2014/15
Expenditure budget	9,325,185	8,199,753	7,438,727	6,760,430	6,416, 867*

*The IYPSS budget is supported by income principally from the Youth Justice Board which stands at £569,980 for 2014/15. the net controllable budget for 2014/15 is £4,988,699.

3.3 The impact of expected budget reductions across the Council are likely to be a significant challenge to the continued delivery of an effective and efficient IYPSS. If cuts are to continue to be made from the service area budget, even with its statutory requirements, then this matter will need to go into the forward plan as a key decision for Cabinet to decide upon; because budget reductions are likely to have a significant impact in terms of their direct effects on communities which are affected and key stakeholders should therefore be consulted. These proposals

seek to help maintain an efficient and effective service offer for young people, of which the council can continue to be proud.

3.4 The environment has also changed in a number of ways:

- The Localism Act (2011) and related agenda includes a 'general power of competence' which gives local authorities more freedom to work in new ways, for 'increased confidence to do creative, innovative things to meet local peoples' needs'.
- The work of IYPSS relates to the responsibilities of three Government departments; **Cabinet Office**, (which now has responsibility for Youth policy and, under Section 507B of the Education and Inspections Act 2006, for the **Statutory Duty** on local authorities to secure services and activities for young people aged 13 to 19, and those with learning difficulties to age 24, to improve their well-being. It is therefore local authorities' duty to secure, so far as is reasonably practicable, equality of access for all young people to the positive, preventative and early help they need to improve their well-being), the **Ministry of Justice** for the Youth Offending Services work, and the **Department for Education**, for its careers information, advice and guidance, and employability skills links with schools. None of these present obstacles to any of the future delivery arrangements under consideration here. The two main political parties at national level, broadly support the development of alternative legal and organisational strategies to provide a range of services and the Coalition Government's ambition for young people's services to 'be enterprising in seeking opportunities to replicate good practice' (Positive for Youth 2011). The statutory requirements for IYPSS are covered in more detail in Appendix B.
- The Local Government Association published a commissioning guide in 2012, setting out different successful models for service delivery, which included the use of Public Sector Mutuals. Evidence of their impact is still being evaluated. However case studies indicate that they are sustainable vehicles for the delivery of publicly funded services.
- The Children's Services' vision 'Being Better Together for Children' is premised on a commitment to collaborative, integrated and partnership working to make sure 'children and young people in Walsall are safe, happy and healthy with a bright future'. The need to respond quickly to the changing face of interactions with young people and ways of meeting their needs is also driving the need for new vehicles for delivery which maintain and further develop closeness with customers.
- Under the Statutory Guidance for Local Authorities on Services and Activities to Improve Young People's Well-being, Local authorities must take steps to

ascertain the views of young people and to take them into account in making decisions about services and activities for them, in line with Article 12 of the United Nations Convention on the Rights of the Child (UNCRC). Young people's views on the options being considered have been sought through the Youth of Walsall (Youth Cabinet), and through a specially constituted group of young people looking at aspects of service design and delivery in the light of budget reductions.

- 3.5 Young people have been approached across IYPSS services, using centre based, detached and outreach methods. 60 young people from across the IYPSS spectrum have been engaged in or via the IYPSS young people's reference group with the lowest age 10 and the highest 20.

Key points to have emerged include:

- Young people like the idea of having young people on the board and sharing the decision making process, making it real for them.
- Over half of the young people in attendance were interested in becoming board members and for the development of the mutual.
- Young people wanted to be more involved in understanding the resource model and how provision would be determined in the individual areas.
- Young people were interested in supporting and engaging in funding opportunities and felt that the mutual would allow more freedom for this to take place, which would result in more opportunities for the funding and activities.
- Old members of the group would see the opportunity for freedom for them to be instrumental in the recruitment and selection of staff and also support the placement of staff and performance.
- All group members felt that having a service that provides a variety of activities/services would ensure that quality and delivery was consistent and meet the needs of young people
- Young people were keen to work alongside the Staff Reference Group.

- 3.6 A Staff Reference Group has also been set up and this has contributed to the thinking around the options appraisal, and facilitated communications with the wider workforce, in between staff meetings.

- 3.7 The options appraisal framework has been developed within the Council to be robust in its assessment of the key criteria. It has been tested internally with procurement, commissioning, financial, and legal staff, and externally with the Confederation of Heads of Young People's Services and an experienced Chief Executive running a NFP Youth Mutual. It has also been subjected to scrutiny by young people and staff, who have contributed to the content.

3.8 The options appraisal has evidenced that the NFP option scores the highest overall and the highest scorer in the majority of criteria.

3.9 Contract and Procurement Considerations

3.9.1 The provision of IYPSS services is currently covered by Part B of the Public Contracts Regulations 2006 (as amended). Subject to the Procurement being completed under current Public Services Contracts Regulations 2006 (as amended), there is no mandatory requirement to subject the contract to the full EU procurement requirements, although the council must still act in an open, transparent and non-discriminatory way so as to comply with EU Treaty principles

It should however be noted that if the new Public Contracts Regulations become effective by the current target date of December 2014, the current distinction of Part B Services will be removed, although there is a proposed light touch approach for the some health and social care services. Article 77 of the proposed Public Contracts Regulations provides opportunity for Contracting Authorities to reserve certain contracts to 'Mutuals' and 'Social Enterprises'. This means that there would be a requirement to go out to tender but the Council may be able to restrict bids to 'Mutuals' and/or 'Social Enterprises'.

Although there are other drivers for the proposed completion timescale of April 2015 from a procurement perspective there is a distinct advantage to delay the procurement process until the implementation of the new Public Contract Regulations. The new Regulations provide opportunity to restrict the tenders to 'Mutuals' therefore better enabling and ensuring that some of the objectives set out in this report are met.

3.9.2 The award of a Part B Service Contract should be subjected to "a degree of market testing to ensure the general principles of equal treatment and non-discrimination on grounds of nationality are not undermined." The European Commission has suggested that the procurement obligations can be met if there is a "publication of a sufficiently accessible advertisement prior to the award of the contract."

3.9.3 Accordingly, the Council could advertise the opportunity on its website as:-

Walsall Council ("the Council") is considering options for delivery of its IYPSS services. The Council, acting at its sole discretion, reserves the right to add further services to the portfolio. The Council has a preference for a charitable non-profit distributing organisation and invites expressions of interest from any organisations generally with suitable qualifications or experience to manage this service delivery and to provide high quality services. Pre-qualification questionnaires and further information will be provided. The Council's existing

IYPSS team will be expressing an interest through the creation of a locally-based charitable trust.

Such an approach has been utilised by other councils where they have created their own local trusts in relation to the delivery of other services, such as management of sport and leisure facilities and young people's services.

- 3.9.4 One option being considered is the setting up of a charitable company, although other forms of entity such as Community Interest Company or Charitable Incorporated Organisation are also being explored. A Charitable Company would be underpinned by the creation of a Company Limited by Guarantee, which is straight forward once the company name is agreed along with certain other initial arrangements including the company's Memorandum and Articles of Association being submitted to Companies House. An initial analysis of legal forms is provided at Appendix E.
- 3.9.5 An application to the Charity Commission for the company to be awarded Charitable status requires some additional work. The Certificate of Incorporation, Memorandum and Articles of Association, application form, Disclosure and Barring Service checks and bank account are then submitted to the Charity Commission.
- 3.9.6 The "objects" or purpose of the company need to be acceptable for charitable registration. Charitable purposes (or aims) fall within the Charities Act 2006 but some relevant ones for Walsall are:-
- a) The provision of recreational and leisure time activities provided in the interest of social welfare, designed to improve their conditions of life;
 - b) Providing support and activities which develop their skills, capacities and capabilities to enable them to participate in society as mature and responsible individuals
- 3.9.7 It should be noted that the income and property are to be applied solely for charitable purposes, no dividend can be paid to members and, on dissolution, any surplus assets must be transferred to another charitable body.
- 3.9.8 Two other principles apply - that the benefits must be clear and that the benefits must be to the public.
- 3.9.9 The creation of a charitable company for Walsall will require the setting up of a Board of Trustees to oversee and guide the management of the NFP Trust. The recruitment of the trustees, of which no more than 20% can be nominated by the Council out of a maximum of 11 trustees, is undertaken by a selection panel, and will include staff and young people.

3.9.10 The charitable company will have a board of directors, responsible for the day-to-day running of the company and managing the service provision to the council. This Board are able to treat the services within its remit as its only priority without all of the competing pressures which may apply to in-house provision.

3.9.11 To offer the NFP the security it needs to enable it to secure other external funding and form key strategic partnerships and to enable the Council to ensure that these services were being delivered, it would be usual for the Council to enter into a contract for the service provision. It is proposed that an initial three year contract, with provisions to allow for it to be extended for another 2 years be considered.

3.10 It will be important to consult with all stakeholders in IYPSS and service users.

4. Council Priorities

4.1 An IYPSS NFP would continue to support a range of integrated approaches to support children and young people through early interventions and while in need, and to support the council's corporate priorities:

- **Supporting Business to Thrive and Supporting Local People into Work**, by preparing young people for a successful transition from learning
- **Improving Health and Wellbeing, including independence for Older People** by providing targeted personal and social development activities which focus on healthy lifestyles, resilience and the skills for independent living
- **Creating Safe, Sustainable and Inclusive Communities** – Reducing levels of crime and providing the right environment for people to live in.
- **Improving Safeguarding, Learning and the Life Chances for Children and Young People** – Recognising that a person's early years crucially help determine what kind of future they will have.

IYPSS is made up of a number of services, meeting a range of statutory requirements (see appendix A), which contribute to the Council's statutory requirements and priorities for children and young people, the wider community and businesses, through:

- Positive Activities/Youth Work;
- Targeted Youth Support;
- Youth Justice Service;
- Active Involvement of Children and Young People (Youth Opinions Unite Team);
- Careers Education, Information, Advice and Guidance;
- Education Business Partnership*;
- Parent Partnership Service;

- Teenage Pregnancy Reduction.

*The EBP is not wholly owned by the Council, but is managed within IYPSS. Separate discussions will be necessary to establish its future. Its activities are a good fit with other aspects of IYPSS, and its operational style and expertise would be an asset to an IYPSS NFP and to the EBP.

The development of a NFP environment for these services is:

- a natural progression from recent service designs, that has ensured good performance and value for money;
- an opportunity to increase customer and service user engagement;
- an opportunity to create an organisation capable of generating income and building stronger social enterprise capacity and capability in Walsall, whilst,
- reducing costs.

- 4.2 The 'form' of any NFP vehicle will be designed to fit the function(s) agreed for the new arrangements. However the principles of the NFP vehicle would be based on the **Youth Mutual** model, which increases the engagement with staff in decision making but, more **radically, empowers young people, the customers of the service**, to be involved directly in decisions about services designed for their benefit. This has been seen to work effectively elsewhere in the country, such as the Medway Youth Trust, Positive Steps Oldham and in the Knowsley Youth Mutual. All three have increased their share of the market since their initial establishment. A number of other authorities are currently working towards this option.
- 4.3 Although there is no legal definition of a mutual, it is a generic description of an organisation conducting an industry, business or trade either as a co-operative (where any profit is returned to the business) or for a defined benefit for the community
- 4.4 The IYPSS NFP entity would be designed by Walsall for Walsall, with surpluses being re-invested in the borough. It may in time offer services wider afield, bringing in revenue and increasing sustainability. It would increase service efficiency by reducing costs, and effectiveness by being closer to its customers both direct i.e. principally the Council and indirect i.e. service users and be designed in such a way as to ensure a strong contract management relationship with the Council.
- 4.5 IYPSS has been successful in impacting on young people's lives, and despite significant reductions in resources over the last 4 years in that time has contributed to reductions in Youth Anti-Social Behaviour, Youth Crime, those not

in Education, Employment and Training and has an excellent record in keeping track of young people's progress post 16 (low levels of Not Knowns). Some of our work regarding Community Cohesion has been identified by the Public Safety Team as "ground breaking" and as examples of good practice. The opening of the Myplace Centre in 2012 has provided IYPSS with a centre for developing new ways of working, and engagement opportunities with the community and service providers, as well as already securing income streams. Evidence of these outcomes, for the last three years is shown in appendix A.

- 4.6 Of equal importance, is the impact on individual young people of the actions of staff, told through a number of case studies at Appendix B. The 2014 Children and Young People Awards ceremony demonstrated the impact services have had on some of the most vulnerable young people. Helping to improve confidence, and resilience, developing personal skills and avoiding risky behaviour.
- 4.7 The options appraisal (at Appendix C) provides evidence to support the assertion that if the Council is prepared to enter into a contracting arrangement with a new IYPSS NFP body, this is the most successful way of securing these 3 key benefits:
- **improved efficiency in the use of resources**
 - **improved productivity by engaging staff and young people in decision making**
 - **enabling new/additional funding to be invested in services in Walsall**

There are additional benefits:

- increased staff innovation
- reduced staff sickness (demonstrated in national evidence gathered by the Cabinet Office which shows up to 20% reductions in sickness absence amongst staff in similar roles in comparable organisations)
- opportunity to support and strengthen the local 3rd sector through continued commissioning, joint bidding and capacity building
- a robust, locally developed and locally based delivery vehicle with close ties to the Council, for delivering other related services
- the ability to secure social value through re-investment, and explore the use of Social Investment Bonds.

There is a growing body of evidence from research that the mutual/social enterprise approach also contributes to:

- local regeneration
- social inclusion
- driving change in service design and delivery.

Further Cabinet Office evidence shows that mutuals have already been successful in increasing revenue and making savings (Between the financial years of 12/13 and 13/14, public service mutuals grew on average by 10%, total revenue in this period increased from £645m to £710m, and savings since 2010 of £21m on delivery of services).

The long established Positive Steps in Oldham has grown its product base and income to over £12m (from £8m) and the very newly established mutual in Knowsley has secured an increase of over 70% external income in readiness for its launch. Work done within IYPSS has identified potential funding streams to support the sustainability of the NFP:

- hiring out of resources such as vehicles, buildings and equipment
- alternative education programmes to local schools
- ASB intervention programmes with private sector organisations such as supermarkets (requests received in 2013-2014)
- gaming and social media interactive solutions to bring services to young people's personal technology
- youth engagement activities with public and private sector bodies
- Duke of Edinburgh award programmes
- Staff training, infrastructure and capacity building with third sector organisations
- education to business services
- youth justice services in partnership with Probation Trusts, Police and offender related charities
- national programmes, such as National Citizen Service, BIG Lottery Fund programmes such as Talent Match, 3rd sector youth organisations charitable funding, such as the Big Music Project, involving Myplace.

Although some of these could be developed to a limited extent, under the current arrangements, some could not. An initial trawl of potential funding has established that there are a range of funding strands which would be accessible to a NFP, including those which support 3rd sector capacity building, such as a new Cabinet Office programme being developed for next year.

There's also funding available to get organisations ready for social investment, for example 'Big Potential' which was launched in Walsall recently designed to enable organisations ready to take on loan finance and other forms of investment. This links to the trend of social investment (e.g. payment by results) funds such as Youth Investment Fund, and the new Youth Engagement Fund.

A new mutual could also have a role in supporting delivery and encouraging greater 3rd sector participation locally in existing programmes such as (Big Lottery funded) Talent Match aiming to tackle youth unemployment (e.g. through

EBP), and could take up opportunities to compete to deliver against young people focused priorities in Big Local areas etc.

Big Lottery Fund – Reaching Communities. Funding from £10,000 to £500,000 over 1 – 5 years for broad range of projects including those aimed at young people. This fund has now invited organisations to discuss bids for more than £500k where they present a new, exciting and innovative approach. I understand this has included support for new mutuals in the past. Also open to LA but 80% of funding targeted at VCS.

Paul Hamlyn Foundation, Education and Learning Programme – No specified limits but an average grant of £95k and maximum grant last year of £290k. Specific target on projects aimed at:

- preventing and reducing the impact of school truancy and exclusion at points of transition,
- developing speaking and listening skills for 11-19 year olds, and supplementary education. (statutory and 3rd sector, with preference for 3rd sector)

Children in Need Main Grants - grants over £10,000 per year for up to three years, for projects working with children and young people of 18 years and under experiencing disadvantage (Illness, distress, abuse or neglect, disability, behavioural or psychological difficulties, poverty or situations of deprivation). Does not fund statutory bodies.

Hilton in the Community Foundation Grants – No limit but grants usually under £30k per year for up to two years for projects working with young people including homeless and disabled.

Heritage Lottery Fund Young Roots – up to £50k for organisations that want to provide young people aged between 11 and 25 with active roles in planning and delivering a heritage project. Statutory organisations may apply but must be in partnership with 3rd sector/youth organisation.

Esmée Fairbairn Foundation – Under its Social Change or Education and Learning Strands, up to 3 years funding, no limits (average grant in the region of £250k) – focus on challenging convention. Statutory organisations not eligible.

Of significant importance would be the opportunity to bid for capital funding for the development of buildings/assets for use by young people. This is exceptionally hard for a Council to achieve this funding.

5. Risk Management

- 5.1 The Options Appraisal examines the risks to the council, in particular of the potential for failure of the venture. There are four key areas of risk:

- the development of a robust and clear specification
- the procurement process
- managing delivery in line with the contract
- setting the NFP body up in such a way as to secure its sustainability
- managing the relationship with statutory services and the interface with other statutory services for children and young people

each of these risks will need to be managed through the development process, which could be supported by **funding from Cabinet Office Mutual Support Programme**. An application for this funding, for which significant preparatory work has been undertaken, would be made once political support in principle for the proposal to establish a mutual has been established. More detailed work is to be progressed to consider the governance arrangements. However all models would be based on the assumption that the Council would be the key stakeholder (alongside staff and young people) on the Board of the NFP, which would manage any related delivery contract.

A decision to support a NFP has an 'insurance' element in that the Council would have the potential to bring the related services and functions back in-house if it so chose.

6. Financial Implications

- 6.1 IYPSS is an efficient organisation, which uses its resources effectively to contribute to improving outcomes for young people as demonstrated by the performance data referred to earlier. However these achievements are against a backdrop of significant budget pressure, within a Children's Services financial context where particular statutory responsibilities for safeguarding children and young people and corporate parenting will inevitably take priority.
- 6.2 The implementation of a NFP vehicle would enable costs to be reduced and income to be generated, by trading services and securing grant income, which would contribute to the sustainability of the organisation, and the potential for growth. This would need to be underpinned by a contract from the Council for the delivery of the IYPSS 'basket' of services of 3 to 5 years, with a reducing tapered budget. To enable the new venture to be sustainable, the Council will need to consider arranging payments in such a way as to avoid short-term cash flow issues. Agreement will also be needed regarding premises costs. See section 8 for further detail.
- 6.3 The table below shows anticipated corporate budget reductions over the next four years against proposed IYPSS budget reductions to be delivered via the creation of an IYPSS NFP entity.

	2015/16	2016/17	2017/18	2018/19	Total 4 Year Saving
Corporate Savings Values	£27.6m	£20.4m	£18.2m	£13.4m	£79.6m
Saving as Percentage of Controllable Council Budget	4.9%	3.8%	3.5%	2.7%	14%
Savings as a percentage of the controllable IYPSS budget	20%	7%	7%	6%	40%
Value of savings based on IYPSS controllable budget	£998,000	£279,000	£260,000	£205,000	£1.78m

The NFP proposal could both deliver these proposed budget reductions/savings for the council significantly above the average percentage reduction required, whilst more effectively mitigating the negative impact and associated risks on the outcomes for young people and the community of Walsall than if managed in a council context.

- 6.4 **Delays in decision making or implementation could undermine the opportunity for the NFP entity to both secure council savings whilst effectively mitigating the impact on related services, performance and impact on individual customers.**
- 6.5 Moving this service area outside the council has implications for the corporate management of budget reductions. Pension liability would also need to be satisfactorily resolved, to protect the Council's interest, those of the NFP and staff transferred. To be sustainable the NFP would not need to be undermined by taking on a significant debt. In a local example, agreement has been reached for the NFP to repay the charge over a specified period, Other mechanisms are available including the establishment of a bond to cover the potential for redundancy costs.

7. Legal Implications

- 7.1 [The Localism Act 2011 includes a General Power of Competence and provides all the necessary powers required for the authority to create the new NFP].

- 7.2 The provision of IYPSS services is currently covered by Part B of the Public Contracts Regulations 2006 (as amended). Subject to the Procurement being completed under current Public Services Contracts Regulations 2006 (as amended), there is no mandatory requirement to subject the contract to the full EU procurement requirements, although the council must still act in an open, transparent and non-discriminatory way so as to comply with EU Treaty principles.

It should however be noted that if the new Public Contracts Regulations become effective by the current target date of December 2014, the current distinction of Part B Services will be removed, although there is a proposed light touch approach for the some health and social care services. Article 77 of the proposed Public Contracts Regulations provides opportunity for Contracting Authorities to reserve certain contracts to 'Mutuals' and 'Social Enterprises'. This means that there would be a requirement to go out to tender but the Council may be able to restrict bids to 'Mutuals' and/or 'Social Enterprises'

- 7.3 With regard to governance arrangements, "standard" arrangements often attract concern with regard to the charitable company's independence from the local authority and the desire / requirement of elected members to have a place on the board "to protect the authority's position". It is important to note that a director should not be hamstrung by external interests or influences when performing his / her duties as a director. The principles of good corporate governance and the highest standards of probity should be employed at all times. This can affect the ability of Walsall Council members to participate equitably in key NFP and / or Council decisions.
- 7.4 The other key governance aspect, one that there is a tendency to overlook, is the relationship between the council and the charitable company. Some local authorities consider having an elected member on the board sufficient to ensure that full governance requirements are met. However, the communication and reporting function between the charitable company and Walsall Council must be considered. A key consideration is that the charitable company is not just "left to it" and that there continues to be an advocate within the local authority. The "partnership" role / function within the Council is critical. It will be important that the CEO of the Trust has ongoing access to key senior Walsall Council officers to ensure that communication channels are maintained and effective. Evidence suggests that the absence of, or limitations to, this continued dialogue and advocacy role is the "Achilles heel" of many underperforming charitable company / council relationships.

8. Property Implications

IYPSS delivers services to young people from ten locations across the Borough. There are nine young people centres (one in third sector ownership) and offices

and significant delivery space leased at Blakenall Village Centre. In addition IYPSS commission services from a number of local third sector organisations some of whom deliver provision from Council owned premises.

If the establishment of an NFP body is agreed the commissioning process will need to determine:

- Whether Council owned premises are necessary for the delivery of future services and, if so,
- Whether all of the premises currently utilised are required
- Whether there are premises requirements in other locations
- The terms on which any premises needed are made available to the NFP body

The commissioning process should seek to minimise the requirement for premises and reduce base operational costs by exploring opportunities for joint use/co-location.

The terms of occupancy would be set out in formal lease agreements, the term of which would be aligned to the length of the service contract (i.e. 3 years with provision for a 2 year extension). Tenancies would be excluded from the security of tenure provisions of the Landlord and Tenant Act 1954. This would ensure that on cessation of the contract the premises reverted to the Council and remained available for future service provision.

Given the proposed contract length it would be reasonable for the Council to retain responsibility for the maintenance of the structure of any premises provided. The NFP body would be responsible for day to day repairs and maintenance, statutory compliance, utilities costs and cleaning.

It is normal to waive rent when premises are provided to support the commissioning of services. This is because any rent paid by the service provider is usually added to the cost of providing the service. It is proposed that this approach is applied to the NFP body and that it is allowed to retain any income it achieves from hiring out of premises to help offset the premises management costs it will incur,

Aldridge Manor House should be excluded from the new commissioning arrangements. Its closure was agreed by Cabinet in April 2011 as part of the Smarter Workplaces programme.

The lease of Blakenall Village Centre expires in June 2015. The NFP body could enter into a new agreement directly with New Horizons Community enterprise or seek alternative premises.

9. Health and wellbeing implications

9.1 The Walsall Health and wellbeing strategy for 2014 has a number of key headings for IYPSS:

- Enable all children and young people to maximise their capabilities and have control over their lives
 - Raise achievement for all children and young people
 - Safeguard children and young people from harm
 - Promote the physical and emotional health and resilience of children and young people
- Money, Home, Job
 - Reduce the number of young people who are out of work and are not in education or training
 - Support local people to become fit, healthy and therefore available to take up employment
 - Ensure that local people have a safe secure and healthy place to live

9.2 IYPSS works in partnership with educational establishment, children's services, public health and the wider health community to contribute to the outcomes referred to in the strategy. Its programmes, including Teenage Pregnancy reduction, Anti-social behaviour activities, Positive Activities focussing on healthy lifestyles and information advice and guidance supporting young people in transition at 16, contribute to achieving the shared targets.

9.3 The proposal to move IYPSS services into a NFP environment provide the opportunity as set out earlier to generate additional resources to support the achievement of these outcomes and create an organisation capable of greater flexibility, efficiency and effectiveness

9.4 The new body will be required to maintain effective relationships with the wide range of partners involved in delivering the health and wellbeing outcomes to which it contributes.

10. Staffing Implications

10.1 The proposals outlined within this Cabinet report represent a large scale and significant scheme that will see the formation of a charitable company or similar body and the 'TUPE' transfer of approximately 126 Council employees.

10.2 The Collective Redundancy and Transfer of Undertakings (Protection of Employment) Regulations 2014 (TUPE) will apply, which protects employees' terms and conditions of employment when the business is transferred from the Council to the selected service provided, whether this is the new charitable company or otherwise. The existing employees will automatically transfer to

become employees of the company on their existing terms and conditions of employment.

- 10.3 There would be a fundamental change for all staff involved if a IYPSS NFP is created as both front-line and associated back office staff would transfer from Walsall Council to the newly formed company. The intention is that the existing pay and terms and conditions would all transfer to the new body but that all future appointments could then be assessed against new criteria as agreed with the Board of Directors.
- 10.4 Discussions have been held with the West Midlands Pensions Fund and their feedback is that the charitable company would receive Community Admitted Body Status to the pension fund. The membership data file has been provided to the Fund's Actuary for a full risk assessment, and the contribution rates will be included within the business model. The future pension arrangements for the charitable company will almost certainly be a closed scheme for the transferring TUPE staff. Alternative arrangements will be put in place for new staff who are recruited after the TUPE transfer date.
- 10.5 The functions that fall within the Council's Central Support Services (CSS) may also be subject to TUPE and an assessment needs to be carried out to identify if any staff will also transfer.

The law is based on the test of "assignment" immediately prior to the transfer, which is based on:-

- The time spent on the activity which is due to be transferred
- The cost of their time on the activity
- The value to the activity being transferred
- The individuals contract of employment

Case law suggests this needs to be in the region of 60%, but the Council should look at and consider any employees who spend 50% or more of their contractual hours on the IYPSS work that is transferring.

- 10.6 Essential operational services such as Payroll, ICT and payments and receipts could form part of a buy back arrangement for a minimum of the first year of operation of the new contract for the IYPSS service provision. Should the service provider decide in the future to buy its support services from another provider then it will be for the Council to ascertain how to realise the in-house savings that will remain within the Council due to any surplus capacity.

11. Equality implications

11.1 The process for the establishment of a NFP for IYPSS would follow Council equality policies. *An Equality Impact Assessment will be carried out.*

12. Consultation

12.1 Further consultation will take place. As reported earlier, initial consultation to date has included young people, IYPSS staff, Prospects staff and a range of internal council stakeholders as well as some external partners. *Further consultation will inform the Cabinet paper*

Background papers

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Signed:

Portfolio Holder: Councillor Arif

Date:

Appendix A

Functions proposed to be delivered by external provider (NFP)

IYPSS delivers a range of integrated services for young people via direct provision, and partners including contracted services with a budget of £6.8 m for 2013/14.

1 Youth Justice Service

The principal aim of the service is to prevent and reduce re-offending by children and young people.

The service works with around 150 children and young people on court orders at any one time including some of the most vulnerable young people (and those posing the most risk to others) in Walsall.

The Crime and Disorder Act 1998 sets out the main duties. A range of subsequent legislation has added to this with the consultation on the Justice Green Paper 'Breaking the Cycle' currently underway.

The main duties relating to the provision of youth justice services are as follows:

For LAs to establish one or more Youth Offending Teams in co-operation with partner agencies.

For LAs and partners to ensure that all youth justice services are available 'to such extent as is appropriate for their area'.

For the YOT to co-ordinate the provision of youth justice services for all those in the authority's area who need them.

To formulate and implement for each year a youth justice plan.

To take reasonable steps designed to encourage children and young persons not to commit offences.

To act in accordance with any guidance given by the Secretary of State.

2 Targeted Youth Support (TYS)

The YYS team provides 1:1 support to children and young people (8 or 10 – 19 and up to 25 with LDD) where problems are beginning to emerge or where it is felt problems may escalate. Around 170 children and young people are supported at any one time with the aim being to help reduce those entering the youth justice system or becoming looked after.

Bespoke targeted support is also provided (directly delivered or commissioned) for example young carers, young runaways and those at risk of sexual exploitation.

The statutory guidance issued by the Secretary of State for Education under Section 507B of the Education and Inspections Act 2006 relates to local authorities' duty to secure services and activities for young people aged 13 to 19, and those with learning difficulties to age 24, to improve their well-being, as defined in Subsection 13.

Local authorities' duty to secure, so far as reasonably practicable, equality of access for all young people to be positive, preventative and early help they need to improve their well-being. This includes youth work and other services and activities that:

- a. connect young people with their communities, enabling them to belong and contribute to society, including through volunteering, and supporting them to have a voice in decisions which affect their lives;*
- b. offer young people opportunities in safe environments to take part in a wide range of sports, arts, music and other activities, through which they can develop a strong sense of belonging, socialise safely with their peers, enjoy social mixing, experience spending time with older people, and develop relationships with adults they trust:*
- c. support the personal and social development of young people through which they build the capabilities they need for learning, work, and the transition to adulthood – communication, confidence and agency, creativity, managing feelings, planning and problem solving, relationships and leadership, and resilience and determination;*
- d. improve young people's physical and mental health and emotional well-being;*
- e. help those young people at risk of dropping out of learning or not achieving their full potential to engage and attain in education or training; and*
- f. raise young people's aspirations, build their resilience, and inform their decisions – and thereby reducing teenage pregnancy, risky behaviours such as substance issues, and involvement in crime and anti-social behaviour.*

3 Positive Activities/Youth Work

Positive Activity/Youth Work in Walsall is focused on personal and social development and reducing youth related Anti-Social Behaviour, and is delivered via young people's centres, detached and mobile work, holiday programmes via projects and residential activity.

The 2006 Education and Inspection Act (Section 507B) gave local education authorities in England a **duty** to "so far as reasonably practicable, secure for qualifying young persons in the authority's area access to:

- a. sufficient educational leisure-time activities which are for the improvement of their well-being, and sufficient facilities for such activities; and

- b. sufficient recreational leisure-time activities which are for the improvement of their well-being, and sufficient facilities for such activities.”

This duty is underpinned by the statutory guidance issued by the Secretary of State for Education under Section 507B of the Education and Inspections Act 2006 which relates to local authorities’ duty to secure services and activities for young people aged 13 to 19, and those with learning difficulties to age 24, to improve their well-being, as defined in Subsection 13.

Local authorities’ duty to secure, so far as reasonably practicable, equality of access for all young people to be positive, preventative and early help they need to improve their well-being. This includes youth work and other services and activities (see above 5.3.3, 5.3.4).

4. Active Involvement of children and young people (Youth Opinions Unite [YOU] Team)

Promote the voice and active involvement of children and young people in the design of services and a range of decision making. This activity has a statutory basis with the 2006 Education Act and related statutory guidance specifically to:

‘Connect young people with their communities, enabling them to belong and contribute to society, including through volunteering, and supporting them to have a voice in decisions which affect their lives’.

‘Working Together to Safeguard Children’ March 2013, identifies 2 key principles which include; ‘A child-centred approach and for services to be effective they should be based on a clear understanding of the needs and views of Children’.

5. Parent Partnership Service

Supports parents of children and young people with special educational needs.

The Special Education Needs and Disability Act 2001 introduced a statutory duty on Local Authorities (LAs) to provide Parent Partnership Services (PPS). The revised SEN Code of Practice (2001) that supports the legislation sets out minimum standards for PPSs. These cover:

- provision of impartial advice, information and support to all parents/carers of children with SEN;
- a role in ensuring that parents’ views are heard and understood, and inform and influence the development of local SEN policy and practice;
- working with schools, LA officers and others to help them develop positive relationships with parents.

6 Targeted Careers Information, Advice and Guidance

Prospects are contracted to operate as part of IYPSS providing targeted careers Information, Advice and Guidance to increase the number of young people participating and reducing the numbers not in education, employment or training.

This activity is key to supporting the local and national employability agenda.

Local authorities retain their duty (under the Education Act 2011), to encourage, enable to assist young people's participation in education or training and to assist the most vulnerable young people and those at risk of disengaging with education and work. Local authorities are also expected to have arrangements in place to ensure that 16 and 17 year olds have received an offer of a suitable place in post-16 education or training and that they are assisted to take up a place.

To fulfil these duties local authorities are required to continue to track all young people's participation through the local Client Caseload Information System (CCIS).

7. Education Business Partnership (EBP)

The EBP is a traded service that is required to generate sufficient income to cover all service costs.

The EBP supports the new duties arising from the Education and Skills Act 2008 to promote effective participation and relates to raising the participation age agenda the Apprenticeship, Skills, Children Learning Act 2009 and the 2011 Education Act

The EBP is not wholly owned by Walsall Council, but is managed as part of IYPSS. There are advantages in maintaining this arrangement, although separate discussions will be needed with the EBP Board to agree the way forward.

Appendix B

Case study (i)

'James' was identified as needing information, advice and guidance support as he was due to be released from custody in to the community on a Detention and Training (D.T.O) licence. At his final DTO meeting at the Custodial Unit he expressed interest in working in sport.

On release, a Case Planning Forum which identified that while his confidence and morale was low, he wanted to change his life.

A Targeted Youth Support worker, on secondment from Prospects worked intensively with James on his confidence and discussed his plans to work in sports, ultimately making applications to Walsall College and Walsall Adult and Community College. James was supported through his interview and assessments and he was accepted at WACC for the Sports academy pre apprenticeship course.

James continues to be supported by the TYS worker, who is working closely with college staff. He has been advised by tutors at WACC that he has the potential to being a life guard which has raised his aspirations.

Case study (ii)

The Respect Group is a project specifically for those young people who are looked after in Walsall. The young people are all looked after within the Walsall Borough. Their ages currently range from 9-17, and they come from a range of ethnic backgrounds.

It became necessary to move the venue for meetings of the group, and change some of the staff involved. The young people were really familiar with the previous team and building. The challenge was to make the transition as smooth as possible; which is particularly important due to the vulnerable nature of the group and their particular needs around attachment and stability. We also needed to win the confidence of the young people's carers.

Careful briefings and planning was undertaken to ensure that the young people were kept well informed of any changes in advance and communicating with them clearly. The group is supported by both 1:1 support and group work activity to assist with their personal development, and manage challenging behaviours. The young people were encouraged to take ownership of the activities planned for each session, engaging as is the norm for youth work, with staff in discussing the programme to be put on, while ensuring that the activities were purposeful and enabled them to develop as individuals, and in their 'group' behaviour.

The young people organised a launch event including a range of activities which utilised the different rooms, and young people were given a tour of the building. The young people then took part in an informal consultation, in which they contributed ideas for activities for the forthcoming programme.

Youth workers have been liaising with carers by letter and telephone to inform them of our provision, and address any concerns or challenges. We have also liaised with Council for Kids (C4K) where young people may have expressed thoughts and feeling that they are not yet comfortable expressing to youth workers yet.

When young people attended the first session they were unsure and not very confident in discussing what they wanted. Some young people asked their carers to stay as they didn't feel confident staying on their own. Some young people were also very task focused which meant they felt obligated to take part in some of the activities that they weren't fond of. Six months on and young people now attend the session without carers and are better at expressing their views. They are more open in telling youth workers when they don't want to take part in an activity and I feel that the relationships with workers are strengthened each session

Case Study (iii)

'Susan' is a 17 year old young woman from Mossley Estate in Bloxwich. She is one of a number of children living in a household with domestic violence issues; she was having many problems at school and was underachieving. She has been a member of the Mossley Youth Project since she was 12 years old. In the past she has been involved in issues on the estate around anti social behaviour and substance misuse issues. For the first three years as a member she displayed challenging behaviour. In 2010 Susan, along with her sister and friends got into a dispute with another group of young people, trying to protect her sister who was being attacked, she herself was attacked and stabbed. The young people involved were arrested, taken to court and charged with Grievous Bodily Harm.

Staff at the centre encouraged Susan to accept that she needed help and was referred for counselling to address her anger. Youth workers provided one to one work with her to challenge her with other ways of "thinking, being, doing". She started to turn the corner, and started to think about her actions and behaviour and how these affected others, she thought about her future for the first time, started to build her confidence in a positive way and believe in herself and her abilities to become someone in the future.

Over the past 2 years Susan took part in a youth service leadership programme and became a young leader in Mossley Youth centre. She was prominent in the planning and starting up of a junior youth club on the estate for 9-12 year olds, this club has now been running for well over a year and is very popular with over 60 members. Susan uses her own past experiences with drug/alcohol/smoking use to educate the younger members around the associated risks. As a result of Susan and the team's efforts,

Mossley Youth Club now as no issues around drug/alcohol and smoking. New younger members are listening to their older peers and the message is getting through as they are choosing to abstain.

Youth workers have encouraged Susan to become involved in fund raising within the centre, bidding for funds to deliver projects for all the members to have new opportunities and build their skill base. During the summer holidays last year she, along with others raised over £750.00 to provide outings and activities to keep local young people off the streets and engaged in positive activities during the school holidays. Previously in summer 2012 she successfully applied to be a summer of change mentor during which she mentored/supported vulnerable and looked after children during the school holidays.

In July last year she became an official volunteer for IYPSS and during the summer holidays she volunteered approximately 200 hours of her time to support activities and trips for young people. She also volunteers at least two nights per week throughout the year along with supporting any additional programmes and projects.

With support from staff, she has passed the OCN level 2 in youth work to ensure she is up to date and as knowledgeable as possible to carry out the voluntary youth work. Susan has become a role model for her peers, who look up to her achievements in terms of turning her life around and helping others in her community. She has just left upper 6th form, after being awarded an Outstanding Achievement award for her dedication, where she was studying PE and Public Services; she aspires to become a Police Officer in the future.

Appendix C

Options Appraisal - Integrated Young People Support Services – future delivery arrangements

The options appraisal has looked at 3 agreed options:

- (1) existing arrangements,
- (2) greater commissioning with the 3rd Sector*,
- (3) procuring the services from a Not for Profit organisation to deliver IYPSS in Walsall**.

The table below examines the 3 agreed options. It sets out 19 criteria for assessing each option, in three groups; Benefits, Impact and Risks, and provides a commentary and scoring for each one. The criteria reflect the importance of distinguishing between clients and customers and the multiple customers for which the services work; with young people seen as clients and customers, who might ultimately pay for elements of service, while the primary customer is seen as Walsall Council and other customers as organisations who may choose to buy services, such as Police, schools, Ministry of Justice, Area Partnerships. The table also considers the opportunities to generate income, which could increase second level commissioning for these services. An overall high score indicates a suitable option when taken on balance.

Option 2 considers both the notion of commissioning more services from local 3rd sector organisations and the impact of a larger, national 3rd sector body being successful in a procurement process. The options appraisal concludes, on both counts that this outcome is less favourable than either options 1 or 3. Option 3 does not explore specific forms of NFP entities, nor does it focus on the possibility of Walsall Council establishing a Local Authority Trading/Controlled Company. Initial consideration of the nature of the legal entity are considered in Appendix E

Rationale	Score/Rating		
	1	2	3
A. Benefits – impact on service users, staff, and partners	negative	neutral	positive
B. Impact on the Council – its ability to meet its statutory obligations and agreed priorities	negative	neutral	positive

C. Risks – matters to be addressed, which could present a risk to the delivery of services to young people

high

neutral

low

DRAFT

Criteria	(1) existing arrangements	(2) 3 rd sector commissioning	(3) Not for Profit entity
A. Benefits: impact on service users, staff, and partners			
A1 Score/rating	2	2	3
1 Ability to secure additional funding to widen range of services or customer base, to increase viability and stability	There is limited opportunity to secure alternative sources of funding, e.g. ESF, although service products can be sold to secondary schools and other customers	3 rd sector organisations can bid for a wider range of funding streams, although their relative size may prevent them from bidding or providing confidence that they can deliver services effectively and manage public funds.	<p>The IYPSS offer as a whole has the potential to attract a wider range of funds, and has the ability to manage those funds. It can also act as contract manager on behalf of smaller organisations, support effective delivery, and broaden the service base.</p> <p>Can also take advantage of loan options and social impact bonds as a strategic partner to the Council</p>
A2 Score/rating	1	2	2
2 contribution to improving outcomes for young people	Existing arrangements may lead to a disproportionately large budget reduction, when compared with other services within the directorate and when compared with percentage reductions in other directorates. This would result in fewer young people being supported, and loss of service	Could be cost effective in terms of delivery, and may maintain volumes, however at the expense of greater contract management, reducing focus and risking service standards, producing poorer outcomes, because of increased 'overheads' drag	Provides opportunity to mitigate against cuts by increasing potential to secure additional income. Also provides a potentially more flexible and responsive service, capable of being directed at children and young people most in need

A3 Score/rating	2	1	2
3 locus of decision-making	Remains at Council, providing fewer opportunities for staff and young people to influence overall direction. Has the benefit of being capable of more strategic decision making being brought to bear	3 rd sector commissioning could be multiple organisations locally or nationally. Local larger/national providers could take locus of some key decision making outside the borough, while smaller local bodies may have other priorities/needs to serve	Provides a vehicle for close relationship with Council and Council aims, while increasing routes for engagement with staff and young people. Local board making local decisions
A4 Score/rating	2	2	3
4 greater opportunity for young people to impact on decisions	Harder to deliver greater involvement with young people given necessary local democratic structures	Wider range of organisations limits voice of young person other than in localised settings. May be less core activity for organisation	Ethos of young people engagement built into organisation. Allows for strategic and local involvement across a wide range of issues
A5 Score/rating	2	1	3
5 effective and efficient use of resources	Processes for managing and directing resources can be impacted by requirements which divert attention. However shared resources can be used effectively to produce better results	Disparate management structures across wider range of commissioned partners, whether internal to borough or external, can introduce inefficiencies. However a larger provider can bring economies of scale. But see locus of decision making	Potential to increase effectiveness through lower operating costs, given integrated approach. Shorter management train, and closeness to customer increase flexibility and responsiveness so enabling greater impact on outcomes
A6 Score/rating	2	2	3
6 greater staff motivation	Potential for some sense of disconnect from decision making in larger organisation, overlaid by democratic process, can hinder motivation This	Professional isolation in smaller organisations, or increased distance from decision making in larger/national bodies can impact on motivation	Places higher demands on staff to be part of the solution in meeting young people's needs. If staff tied in to success of venture, easier to

	requires on-going focus on cultural change at a time of budget reductions which can mitigate against motivation, as with a corporate/Council decision, staff involvement is limited	although agile and speedy decisions are possible	maintain morale and motivation
A7 Score/rating	2	1	3
7 potential to enter into innovative contracts/ partnerships with VCS or private providers	Possible to deliver innovation, across a range of partners, however limits on funding opportunities reduces managed risk opportunities.	Experience suggests limited opportunities in current structures to develop innovation, given contract management structures	Increased potential due to larger pool of potential bidding opportunities. If supported by significant initial contract, leads to confidence in investors, and provides opportunity to develop track record beyond delivery capabilities
A8 Score/rating	3	2	3
8 potential to contribute social value and a social return on investment	Services designed to deliver social value, however potential benefit overlaid by democratic process	Contract requirement to deliver social value, and build capacity can be inherent in contracts, however wider range of contractors, or engagement with national organisations, has the potential to lose value to benefit the provider	Not for profit body, has social value at it its core. Returns all surpluses to local community by re-investing in core activity and developing new services.
Section A Totals	16	13	22

	(1) existing arrangements	(2) 3 rd sector commissioning	(3) Not for Profit entity
B Impact on the Council			
B1 Score/rating	3	1	2
1 Contract management requirements	No additional contract management requirements over and above existing management processes and scrutiny	Multiple contracts resulting in additional contract management costs. More contracts results in increased risk that outcomes vary and may be more difficult to correct. Also true if a single contract with a locally based larger WM provider or national provider.	Single large contract designed to meet the council's requirements for performance. The NFP entity would agree robust performance management standards
B2 Score/rating	2	1	3
2 impact on reputation of the Council of changes in service delivery outcomes	the reputation of the council would be affected adversely, for young people, the community and partners should there be significant reductions in funding and service delivery. However this is more easily managed from within the Council structures.	The reputation of the council would be, in effect, in that hands of multiple organisations or potentially organisations outside the borough and its maintenance would be in the hands of commissioners and contract managers. Recent examples of failure of commissioned partners has shown that the Council suffers some loss, possibly short term of reputation.	A larger contract held by one body, set up by the Council has the advantage of potentially being more sustainable, and less likely to fail but more risky if ultimately it failed to deliver, causing uncertainty for service users and stakeholders. A successful NFP would provide for an organisation capable of developing services beyond the borough, enhancing the Council's reputation.
B3 Score/rating	2	1	2
3 ability to meet	The current arrangements provide a	Third sector commissioning would	An NFP commissioned by the Council would

Council's objectives	sound basis for meeting the Council's objectives, however reductions in funding will make this more difficult	provide a reasonable basis for meeting the council's objectives, although this would depend on careful commissioning and rigorous contract management, across a more complex landscape of providers	provide a strong basis for meeting the council's objectives, although this would depend on careful commissioning and rigorous contract management. It would also provide a vehicle through which additional funding could be sought to underpin the local offer, as local funding reduces
B4 Score/rating	2	2	3
4 degree of customer focus	The current service offer is based on meeting the Council's objectives, and takes account, as far as possible of the views expressed by young people, within the confines of funding.	Commissioned partners would be under an obligation to work with clients to determine the best balance between meeting the terms of the contract and the expressed needs of clients. This is likely to be more difficult to assess and achieve if multiple delivery organisations are involved or if larger, external organisations are commissioned	An NFP, although required to meet its contractual obligations, designed for young people and part managed by young people provides a radical alternative to the traditional ability of customers to impact on service design and delivery. The ability to benefit from staff involvement in decision making, the higher degree of ownership of the outcomes and ability to draw in other funding, some generated by young people themselves would increase the organisation ability to be highly customer focused.
B5 Score/rating	2	1	3
5 Value for Money, and ability to contribute to Council budget cuts, while meeting	Reductions in the budget will impact on services in 2014-2015 and beyond. The extent of impact will depend on the degree of reductions. Keeping the IYPSS budget within the Council mainstream budget maintains the Council's ability to	A multiple commissioned model will dissipate the council's budget between a range of partners who will all have overhead and management fee expectations built into their costs. If larger organisations are commissioned	A NFP would focus overheads into one organisation, would ultimately purchase overheads on a needs basis and in other examples across the country have been able to offer substantial savings on this element of costs (up to 50%). A NFP with a substantial contract value, with an expectation of

customer demand	manage budget reductions. However some costs, such as those for central functions may not pass a best value test	they will also be likely to be based outside the borough allowing investment to leave. However there is a potential where Walsall could benefit by larger organisations being prepared to invest in Walsall or bring additional nationally or regionally won funding into the borough	reductions built into, say a 3 year initial contract, would be better placed to highlight savings, and sources of alternative funding – again other examples have shown an ability to generate up to 30% additional funding in year one. A NFP would also increase the ability of the Council to commission other related services from one body, reducing overall overheads and increasing synergy, while ensuring that investment remained local. A successful NFP would be open to develop wider investment in Walsall or bring additional nationally or regionally won funding into the borough but it will require some assets to be passed to the NFP
Section B totals	11	6	13

	(1) existing arrangements	(2) 3 rd sector commissioning	(3) Not for Profit entity
C Risks to the delivery of services to young people			
C1 Score/rating	3	1	2
1 Funding pension costs	As council employees there is no planned effect on pension rights. This provides comfort to staff, reducing distraction of other potential arrangements	The move to 3 rd sector commissioning would result in TUPE transfers being necessary assuming the nature of the undertaking could be proven. The attempt to transfer pension rights would impact severely on smaller organisations, and may result in failure	The move to NFP would result in TUPE transfers being necessary assuming the nature of the undertaking was accepted. The transfer of pension rights would need to be accompanied by the new entity applying for and receiving Admitted Body Status with LGPS, which may result in increased costs to both individual and organisation. It would also require a bond or other underwriting to secure existing pension contributions
C2 Score/rating	1	2	2
2 effect of Council budget reductions over 5 years	The extent of service and resilience of service structures, to withstand increased demand or staff sickness would be reduced in the context of further budget reductions. Managing savings in a directorate which has responsibility for safeguarding, child protection and school improvement increase pressure on IYPSS budget to find savings	The council would be able to reduce contract values, leaving other organisations to deal with its effects, managing reductions in staffing. This links to the Council's reputation with its community which would be damaged.	A not for profit body would offer some scope for reducing costs, and for seeking inward investment, which would mitigate the effect of cuts. It too would relieve the burden on the Council for managing the impact of budget reductions, although there would need to be safeguards regarding the delivery of statutory responsibilities.
C3 Score/rating	1	1	2

3 sustainability of model	The anticipated reductions in funding would make the current offer unsustainable within 3 years, forcing a further re-design and significant reductions in staff.	The anticipated reductions in funding would make the commissioned offer unstable within 2 years, bringing with it significant reductions in services to young people and increasing reliance on commissioned partners to identify alternate sources of funding. Funding reductions and pressure on 3 rd sector partners has seen decline in resilience in the sector	An NFP, with its ability to seek alternative means of funding or enter into delivery partnerships provides some protection, leading to an increased potential to sustain a recognisable offer.
C4 Score/rating	2	2	3
4 staff morale and stability	Staff concern about cuts has already been identified. While staff remain well supported by managers, their ability to impact on the process of change is limited, affecting morale. Good staff will seek to leave at the first opportunity, taking intellectual, management and delivery experience and expertise out of the locality. However staff recognise the process of change is necessary and the value of being part of the local authority	The limits of the local 3 rd sector will dissipate intellectual capacity, impacting on the maintenance of standard and job satisfaction leading to lower morale and potentially poorer performance. Larger organisations, based outside the borough can appear remote to locally based staff, although can also bring the benefits of being part of a national body with narrower, more related focus which could impact positively on staff morale.	An NFP, which would be built on mutual principles would give staff a sense of ownership, even of some very difficult decisions. Managers would be focussed on the 'business' without some distractions of being part of larger organisations, which helps to maintain stability and morale.
C5 Score/rating	1	2	2
5 effect on young people's resilience and/or	The service has a strong delivery record, with a significantly reducing pool of resource, which will be	3 rd sector commissioning would make monitoring young people's progress more difficult than a corporate model,	The commission to a not for profit body would need to specify the desired outcomes in measurable terms. An NFP

well-being	impacted by further cuts. Reduced services means fewer young people being supported, which impacts on their overall resilience and well being. The extent of this reduction will not be measurable in the short term, although increases in NEET, ASB and poorer job and life choices may be evidenced quite quickly	introducing an increased risk of difference in standards of service. It is though possible that more targeted work, in focussed areas would help to maintain results, through specialist agencies with relevant experience	would be better placed to limit the impact of budget reductions, and increase the ability to secure offsetting funding
C6 Score/rating	3	1	2
6 process of procurement of services	None needed	The commission process could require multiple contracts, with a potential mix of local and national providers being successful, increasing internal costs and pressure on contract management	A single contract offers the opportunity to streamline existing contracting/commissioning arrangements. It would need to pay due regard to procurement rules. Part B services will no longer be 'eased' into 'spinning out' next year. However there are examples elsewhere which could provide an opportunity to offer a limited term contract, without a full open market approach, especially if it were accepted that there is no strong local market, which meets prescribed social value tests
Total	11	9	14

Totals	Existing arrangements	3rd sector commissioning	Not for Profit entity
A Benefits: impact on	16	13	22

service users, staff, and partners			
B Impact on the Council	11	6	13
C Risks to the delivery of services to young people	11	9	14
totals	38	24	49

Appendix D

Models of delivery organisations

Type of entity	Brief description	Potential benefits	Potential issues
Community Interest Company (limited by guarantee)	<p>The Community Interest Company is a new legal structure designed for social enterprises. It combines aspects of companies with the asset lock found in charities.</p> <p>There are two types and the share type provides a co-ownership model and the ability to redistribute profits to shareholders.</p>	<ul style="list-style-type: none"> • Good fit with vision of social enterprise 	<ul style="list-style-type: none"> • Potential for mutual model • Cannot then become a charity • But can have the asset lock a charity
Community Interest Company (limited by shares)		<ul style="list-style-type: none"> • Good fit with vision of social enterprise • Managers/staff could own shares • Provides access to equity capital, as well as debt /grant 	<ul style="list-style-type: none"> • Raises questions who would own shares • Cannot then become a charity • Have to asset lock a charity
Charity and company limited by guarantee	This is the traditional charity model in the UK. While charities do have greater access to donation funding including grants, it is harder to use this structure to run 'social business'. Charities do have an asset lock.	<ul style="list-style-type: none"> • Structure most able to raise grant money (an important focus) • Asset lock protects social purpose 	<ul style="list-style-type: none"> • Trading limited to objects of charity • Capable of being managed as a mutual so long as memorandum and articles are appropriately written • Regulation is high due to Charity Commission •
Company limited by guarantee	This is a structure used commonly by the not-for-profits	<ul style="list-style-type: none"> • No limits on trading as with charity 	<ul style="list-style-type: none"> • Limited potential for staff engagement at Board, other than as non-executives

	that fall outside strict interpretation of what is charitable. Some social enterprises are structured in this way because it also provides greater flexibility. Amnesty International is an example.	<ul style="list-style-type: none"> • Able to raise grant money (though not as well as charities) • Potentially a good structure for growth strategy 	<ul style="list-style-type: none"> • Lack of charitable status could preclude application to some funding source
Charitable Incorporated Organisation	A new form of company designed to combine the best of a company limited by guarantee and a charity	<ul style="list-style-type: none"> • Reduced regulation • Structure most able to raise grant money (an important focus) • Asset lock protects social purpose 	<ul style="list-style-type: none"> • Very new, so no long-term evidence of suitability
Youth Mutual	This does not describe a legal status but an organisational form. A mutual is a business owned by its members. A youth mutual model would include both staff and young people as owners. It would need an underpinning legal entity to allow it to contract for services, taken from the available styles of not for profit entities	<ul style="list-style-type: none"> • A better service for the community – being stakeholders in the business boosts staff engagement and commitment; and because the success of the business literally depends on everyone in it, employees become more innovative, entrepreneurial and alert to what users need. • Productivity up, costs down – research repeatedly shows that employee mutuals can outperform conventional companies because staff treat 	<ul style="list-style-type: none"> • Need to establish appropriate legal vehicle. • Need to ensure that appropriate levels of engagement, oversight and challenge exist at executive level, while ensuring that young people and staff have an appropriate level of ‘say’, in relation to other stakeholders

		<p>the business as their own. Absence falls, the best people stay, motivation and effort lift, and suddenly controlling costs becomes everyone's problem.</p> <ul style="list-style-type: none"> • Reassurance for users – whether users of a spin-out service will be the community, or in-house colleagues within the authority, , it can be reassuring to know that the new partner is a mutual. Users are more likely to feel a sense of trust in a mutual, whose values and approach are in tune with the ethics of public service. • A partnership model – the mutual business model is highly flexible and inclusive – a fully staff-owned company is one option for a spin-out, but so are joint ventures and giving a stake to local users and the authority itself. • A service built to last – authorities want to deal with 	
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		sustainable businesses, provided they deliver on contracts, and evidence shows that mutuals are in it for the long term, not designed with half the owner's eye on a profitable exit.	
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