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Report of: *John Macilwraith, Executive Director of the People Portfolio*

Report to: *Cabinet*

Date of Decision: *17th June 2020*

Subject: *Future Delivery of Youth Services*

Is this a Key Decision? If Yes, reason Key Decision:-	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
- Expenditure and/or savings over £500,000	<input type="checkbox"/>	
- Affects 2 or more Wards	<input type="checkbox"/>	
Which Cabinet Member Portfolio does this relate to? <i>Education and Skills</i>		
Which Scrutiny and Policy Development Committee does this relate to? <i>Children, Young People and Family Support</i>		
Has an Equality Impact Assessment (EIA) been undertaken?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If YES, what EIA reference number has it been given? (56)		
Does the report contain confidential or exempt information?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

Purpose of Report:

This Report outlines the recommended next steps for delivery of youth services beyond September 2020.

Recommendations:

That Cabinet

- Notes the appraisal of delivery options and approves the future delivery model for youth services as set out in this report.
- Approves the establishment of a cross-portfolio Project Board and Project Group to manage the end of the current contract and transfer relevant staff and services to the Council.
- To the extent not covered by existing delegations, delegates authority to the Executive Director of People Services to make the appropriate arrangements to bring the relevant services in house on 1st October 2020.
- Notes that this decision will be subject to the Leader taking into consideration any recommendations from the Children Young People and Family Support Scrutiny and Policy Development Committee.

Background Papers:*None*

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Paul Jeffries/Liz Gough
		Legal: <i>Sarah Bennett</i>
		Equalities: Bashir Khan
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>		
2	EMT member who approved submission:	<i>John Macilwraith, Executive Director of People Services</i>
3	Cabinet Member consulted:	<i>Leader of the Council</i>
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: <i>Sam Martin</i>	Job Title: <i>Head of Commissioning</i>
	Date: <i>9 June 2020</i>	

1. PROPOSAL

Background

- 1.1 Since 2002 a number of youth and careers support services funded by Sheffield City Council have been delivered through a contract with Sheffield Futures, a local young people's charity. This contract comes to an end on 30th September 2020, having previously been extended to allow a strategic review to be undertaken.
- 1.2 On 18th March 2020 officers submitted a Report to Cabinet proposing a new strategic approach to services to support the Young People of Sheffield with the aim that services for young people would be more inclusive, ambitious and collaborative. More specifically it was proposed that the Council should:
- Invest an additional £2m in 2020/21 with an ambition to mainstream this funding from 2021/22 onwards through the Council's budget setting process, to develop young people's social and economic capital in the city in addition to the £3m we already invest annually
 - Ensure there are trusted adults or mentors and/or youth workers to provide consistent professional guidance, advice and wraparound support, and enable access to a wide range of leisure, educational, cultural experiences and activities.
 - Connect support across a wide range of provision depending on the needs of young people i.e. school/college and training, employment support and advice, safeguarding, youth justice, education, family support, and health, including mental health
 - Focus resources on the specific needs of teenagers (age 14+) supporting their journey into successful young adulthood and the rest of their lives.
 - Embed provision in communities so that it is responsive to and driven by local needs and the diversity of our city, and co-produced with young people themselves. Define young people by their contributions, aspirations and talents rather than being defined by problems or deficits.
 - Develop this into a city-wide approach through partnerships with key stakeholders including young people themselves, and our VCF partners and statutory partners like the NHS and the Police.
- 1.3 Given the proposed change in strategic approach it was also recommended that a decision be taken not to re-procure the current youth services contract and that officers be tasked with submitting a further report analysing the options for future delivery and recommending the most suitable delivery arrangements.
- 1.4 Cabinet approved the recommendations in the Report. However, that decision was subsequently called-in for scrutiny and the Scrutiny Committee have subsequently asked for further information about the proposals for the future delivery of services.

- 1.5 This Report seeks to set out the arrangements that it is believed will best deliver a more inclusive, ambitious and collaborative service and outline the other options considered and why those are not recommended as envisaged in the previous Report. The Report also seeks to provide the further information requested by the Scrutiny Committee.

The Recommended Delivery Option

- 1.6 Given the increasing complexities of young people's lives and the interconnected nature of a number of the issues that can affect them, the Council's youth services need to be more integrated and more flexible. We need to be able to respond quickly when young peoples' needs, and the issues they face, change and when new challenges emerge. On balance, we recommend that this can best be achieved through a predominantly in-house delivery model, accountable directly to local communities through Council oversight and scrutiny. Integration with other in-house Council services can be achieved more easily than would be the case if services were to be contracted out. Insourcing the services currently delivered through the contract will also enable transformation of the different elements of the service to be undertaken over time and at differing rates, as appropriate, something that would be more complex and potentially costly in a contractual arrangement.
- 1.7 Given the recommendation above, the proposal is therefore that planning and preparations are made so that when the current contract with Sheffield Futures comes to an end the management of the services and the relevant staff and resources transfer to the Council.
- 1.8 The insourcing exercise will be scoped out in more detail as part of an implementation plan, subject to approval of the recommendations in this report, but broadly the process will involve:
- A due diligence exercise undertaken by the Council and Sheffield Futures.
 - Staff from Sheffield Futures who are involved in delivery of the services on the Council's contract transferring to become Council employees through the operation of TUPE.
 - Any relevant assets and liabilities including relevant buildings (not including Star House, which belongs to Sheffield Futures and is not covered by any contractual arrangements requiring transfer), equipment and licenses transferring to the Council.
 - Overall management and day to day direction of service delivery transferring to the Council
 - Arrangements for appropriate transferred staff to join the South Yorkshire Pension Scheme.

- 1.9 This process will be undertaken in consultation and negotiation with Sheffield Futures Board and Chief Executive, and with trade union (or other relevant employee) representatives, in line with our legal duties under the TUPE regulations.

The Services and How they will be integrated

- 1.10 The following information outlines the different elements of service covered by the contract the Council has with Sheffield Futures, and sets out how these services would likely be integrated with other council services as part of the insourcing process. This will be subject to further review by the project group (see below on project governance), and as further and more detailed data becomes available through the due diligence process.

Function	What does it do	Where could this delivery sit in SCC?
Youth Work	Delivers Youth clubs and street outreach. 1600 sessions a year Management of overall CYT including SCC prevention staff.	Community Services. This will link to wider community development work and offer further community youth provision developed with young people and the Head of Youth Services.
Targeted Careers Advice	Targeted Careers Advisors who carry a case load of NEET young people and year 11s at risk of NEET. Advice on progression routes and support to YP	The Learning and Skills Service, which will allow this work to be integrated with wider strategies for inclusion, school and college progression, apprenticeships, enterprise and careers education.
Specialist Careers and Progression advice for children with special educational needs and disabilities	Careers advisors working to Special schools, Inclusion Centre, hospital home education pupils on progression advice (post 16 options, contribute to EHCs etc).	The Learning and Skills Service which will allow this work to be integrated with wider teams supporting children with SEND and progression to adulthood.

Duty and NEETs tracking work	Workers providing advice to young people who drop in and ringing/contacting YP who may be NEET to identify those that need help with progression.	This function would be taken up by the People Commissioning and Strategy Service linked to our existing data and tracking processes for pupils.
Youth Involvement	Supporting the Sheffield youth cabinet, recruitment, training, campaigns. Developing youth voice opportunities, running the annual Make Your Mark campaign.	Community Services to integrate with our wider strategies around community involvement and linking to our member support and political and democratic processes.
CSE and Criminal Exploitation Team	Youth work support to young people at high risk of exploitation as part of multiagency team.	Children's Social Care.
Missing Young People	Return home interviews for young people who go missing from home	Children's Social Care.

1.11 It is important to note that following this recommendation does not preclude the Council in future securing the delivery of some services or projects which support young people through a commissioning or contracting approach. There may be a number of elements of the wider young people strategy which are best delivered by specialist organisations or charities. However, the current contract for services with Sheffield Futures covers key core support services (including, for example, a keyworker approach) which are recommended to be most effectively delivered in an integrated way with other council run provision.

Project Governance

1.12 To implement the insourcing process we will establish:

- A Project Board, reporting to the Executive Director of People Services and chaired by the Director of Communities with senior

officers from Legal, HR and Commercial and Finance services.

- A Project Group, reporting to the Project Board, Chaired by the Head of Youth Programme with officers from the relevant Council services.

1.13 The Board and Group will work to a detailed project plan, and will:

- Liaise with Sheffield Futures to obtain the relevant due diligence information under the TUPE Regulations and under the existing contract
- Consult with staff and their representatives subject to TUPE
- Identify any risks and mitigations as part of the project plan.

1.14 The objective will be to effect the smooth transition of staff and other relevant assets by no later than the 30 September 2020 and minimise any disruption to frontline service delivery through the transfer period.

2 HOW DOES THIS DECISION CONTRIBUTE?

2.1 This proposal will ensure that the young people of Sheffield receive the right services and support in their journey through their teenage years into early adulthood and beyond. It will ensure that community based provision is in place to provide young people with places to go, things to do, and someone to talk to when things get tough, help build the *human capital* of young people of the city and raise their aspirations and life chances.

3 HAS THERE BEEN ANY CONSULTATION?

3.1 There has been extensive consultation with young people, staff, and wider stakeholders over the last 4 years as the current arrangements for young people services have been approaching an end.

3.2 Some consultation has taken place with Sheffield Futures over implications of insourcing or ending the current contract. This has informed the early view presented in this report, though will need to be revisited closely as part of implementation of the decision.

3.3 As part of a consultation process in summer 2017, the views of young people were sought on the future of services for young people in Sheffield. This consultation included speaking directly to young people, including more vulnerable young people. This included meeting with the Youth Cabinet and Young Advisers, as well as six of the Youth Clubs run by the current provider.

3.4 We heard a number of views from young people about existing services and their needs. In particular young people repeatedly told us they didn't like having to keep 'bouncing around' support services, having to

'tell their story' repeatedly to new keyworkers in different services, and would value having a more joined up and consistent support service that could meet a range of needs without needing to keep referring them on.

- 3.5 Visits were made to housing schemes for homeless young people aged 16-19 and consultation undertaken with the residents and staff there. The young people reported having to repeat their personal circumstances and support needs several times in each service they accessed which they found frustrating.

4 RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality of Opportunity Implications

- 4.1.1 An equalities impact assessment has been completed for this proposal. In the short term there are no immediate impacts because the services for young people that are currently delivered through an external contract will continue but will be managed and delivered through staff being directly employed by the Council. The additional resources to be invested in supporting young people will reduce inequalities in outcome between younger people and their older peers. Resources will be balanced so that young people with greater disadvantage receive more support tailored to their needs, so this proposal will contribute to efforts to close the gap in areas like school engagement and attainment which are felt more greatly by young people from more disadvantaged or groups protected by equalities duties.

4.2 Financial and Commercial Implications

- 4.2.1 Spend on the Sheffield Futures contract and services in 2019/20 was £2,966k. More widely the council spends upwards of £5m per year on a wider range of other associated support services for young people.

- 4.2.2 It is difficult to exactly quantify at this stage the financial implications of insourcing the service at this stage. Moving to an in-house delivery model would result in SCC taking on the costs for:

- Sheffield Futures Staff transferred by TUPE and associated pension costs. We have made some assumptions over the roles that are likely to transfer and their SCC grades in order to estimate costs;
- Accommodation costs. Further work would be required to identify what office accommodation would be suitable and available. We can make an estimate based on the likely office size required and using an average cost per sq. m.
- Operational running costs such as transport costs, equipment, stationery, training etc.

4.2.3 Initial costings indicate that an insourced service will cost in the region of the existing contract costs, however, until a full process of due diligence has been undertaken by using information that can be requested under the terms of the contract and in accordance with TUPE regulations these are just estimates and would need further review once more detailed information is available. For example, we need to identify through the TUPE process exactly which staff would be liable to transfer employment and the exact salary and pension costs for each staff member. Some staff not currently participating in the South Yorkshire Pension Scheme will be automatically enrolled to it unless they opt out, these additional participants are likely to increase staff costs. However, costs for office overheads and senior management are likely to reduce as a result of a transfer as the Council's overall running costs tend to be lower per head due to its size and financial capacity. Our reasonable starting assumption is therefore that a like for like in house service would be similar in ongoing running costs to the current contracted service provision.

Budget

4.2.4 Due to recent financial pressures, the budget for Services to Young People (Youth), from which the Sheffield Futures contract is currently paid, is lower than anticipated costs. As at month 1 2020/21, there is an underlying forecast overspend of £170k. This overspend does not include the potential costs of implementation, therefore the overspend for 2020/21 could be in the region of £270-370k.

The current proposal to insource this service is not aiming to deliver financial savings. Therefore, the People Portfolio will be required to manage this pressure through its in year financial monitoring systems and budget planning for future years.

Implementation costs

4.2.5 Delivering the insourcing of a service in the timescale proposed will be challenging, so it is likely that it will require significant input from HR, Finance and Commercial Services and Legal and this will attract a one off cost for which budget is not currently allocated. In addition, resource will be required to project manage the change and ensure that service delivery is maintained. This may be a combination of staff from People portfolio and BCIS project resource.

4.2.6 The implementation costs are difficult to estimate at this stage, but could be in the region of £100-200k.

4.2.7 The proposal to insource delivery is driven primarily by the ambition to integrate provision for the benefit of young people. It is not a cost-saving exercise. Once an insourcing process is complete the council will have reduced commissioning and contracting costs associated with youth services. These costs are likely to be offset against other direct service management costs for the new services the council will be

running which it has not run for 18 years.

Future Additional Investment

- 4.2.8 Under these proposals, and to support the wider ambition set out above to support young people, an extra £2million investment for 2020/21 was approved at the council's budget meeting on 4 March 2020. There is also an ambition to mainstream this funding through the budget setting process in future years.
- 4.2.9 Exactly how this additional resource will be distributed across the range of service provision has not been determined in detail at this stage, and will be subject to further decision once the initial insourcing exercise has been completed, because at that point SCC will have a clearer picture of the services, staff and resources and will be better placed to make decisions about where additional resources can be best deployed. Also, since the Council's budget meeting on 4th March the Coronavirus pandemic has disrupted every aspect of Council activity, and many new initiatives have had to be suspended or delayed. It is therefore likely that the original plan to invest additional funding in 2020/21 is delayed until 2021/22 in order to allow an insourcing process and further strategic plans to be developed once services return to some kind of normal delivery.

Pension Implications

- 4.2.10 Some of the staff currently working for Sheffield Futures are members of the South Yorkshire Pension fund. The council has arrangements in place so that pension costs will not increase regardless of whether those staff TUPE to the council and therefore the only additional pension costs will be staff who TUPE to the council and are new participants to the scheme.

Implications for Sheffield Futures

- 4.2.11 Sheffield Futures is a robust and thriving local charity of reasonable size with a good reputation. It has been a constructive and positive partner of the Council over the last two decades and we are proud of the partnership and what it has achieved. It is also, notwithstanding the Council's membership of the company, an independent charitable company, with its own Board of Trustees and is not directed by the Council.
- 4.2.12 Over the last 10 years it has successfully diversified its income base so that it is no longer entirely reliant upon a single Council contract. It has a number of contracts and service arrangements with other funders, including local schools (for careers advice), and other government and national funders (like the National Lottery and Children in Need), the NHS and Police and Crime Commissioner. Sheffield Futures employs around 180 staff, and around 90 of these staff are estimated to work

directly in services covered by the Youth Services contract and are likely to transfer to the Council in accordance with TUPE regulations in the event of a decision to insource the service. If the decision is to do nothing or no decision is taken the service will end and these 90 staff may be subject to redundancy. Around half of Sheffield Futures annual income currently comes from the Council Contract for Youth Services.

4.2.13 Having said this, notwithstanding its other work and its reputation in the market, if a decision is taken to insource youth services Sheffield Futures would lose a significant amount of its existing income in one go, which will inevitably present considerable challenge to the Board and management of the charity. Council officers will therefore ensure close communication and working with Sheffield Futures through this period to identify any specific risks, to mitigate wherever possible any potential negative impacts of this decision, and work in a constructive way to support the charity in its future development.

4.2.14 It is important to note that any further external delivery of the service would need to be put out to competitive tender with the opportunity open to any competent and relevant provider. There are a number of other charities and other organisations both locally and nationally who may be interested in bidding for such a contract. There is no guarantee therefore that in this situation Sheffield Futures would be the successful bidder. This would then trigger a TUPE process to transfer relevant staff, management and other assets to a new provider, following the same principles set out above. It would involve consideration of staff, pension and other liabilities in the same way as set out in the implications for an insourcing process above.

4.3 Legal Implications

4.3.1 The proposals in this Report will assist the Council in meeting a number of statutory duties including

- the duty under Section 507B (inserted into the Education Act 1996 by section 6 of the Education and Inspections Act 2006) 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.
- the duty to prevent needs for care and support following implementation of the Care Act 2014;
- the duty to provide advice and assistance to persons in its area who are homeless or threatened with homelessness and to

provide accommodation for persons in its area who are eligible, homeless and in priority need under Part VII of the Housing Act 1996;

- the duties under the Crime and Disorder Act 1998 relating to youth crime and disorder; and
- the duties in the Education and Skills Act 2008 in relation to the participation of young people in education, employment or training.

4.3.2 Exit from the existing youth services contract with Sheffield Futures will be managed in accordance with that contract and the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) (as amended). It is anticipated that this will include the transfer of the overall management and day to day direction of service delivery, the transfer of staff who are involved in delivery of the services on the Council's contract (please see HR Implications below) and the transfer of specified equipment and other assets.

4.4 Other Implications

HR Implications

4.4.1 The proper assessment of whether TUPE will apply requires employee information that the Council does not have access to at this stage. However, it is likely that insourcing will require transfer of some personal data and personnel and the Council must comply with the Data Protection Act 2018 and, where applicable, Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) (as amended). If TUPE does apply, the Council will need to undertake proper consultations on the transfer with affected staff and their representatives. The Council must also undertake all statutory checks required after receiving staff and ensuring full compliance with pension legislation.

4.2.2 In advance of insourcing, the Council must clearly define the scope of the insourced service, role within the organisation and where possible determine how it will fit with existing services.

4.2.3 If after insourcing staff other changes become necessary then in addition to compliance with TUPE, the council must also adhere to Employment Legislation and HR policies that govern consultation, organisational change and obligations under the Equality Act 2010.

5. **ALTERNATIVE OPTIONS CONSIDERED**

5.1 Since 2015 a number of exercises have been undertaken by Council officers to consider the potential future delivery options for youth

services, in preparation for the end of the long term contract with Sheffield Futures. In 2015, for example, work investigating the potential to develop a youth mutual type organisation was undertaken with support from the Cabinet Office through its Delivering Differently for Young People programme. Alternative approaches to the proposal set out in the recommendations in this report are outlined below:

5.2 Alternative Option 1 – Retender the current services contracted to Sheffield Futures

- Delivery partnerships with charities or other independent organisations can provide opportunity to secure other resources (for example from charitable sources) to add value to the funding from council contracts. These opportunities will not be as available to Council-run services. However, there are also a number of disadvantages of this option.
- There exist a number of organisations nationally who might be in a position to bid to deliver our youth services. However, there is a risk that the market might not be able to deliver services at a competitive price that meets the Council's stringent pay and output requirements.
- Some of the complexities of the TUPE and in particular pension costs of the existing staff are likely to be a barrier to new providers having an interest in the contract. This might limit realistic bids and reduce competition or innovation.
- External contracts do not always provide sufficient flexibility in delivery and resources to respond to emerging and changing needs and requirements. This is a particular concern given that the intention is to develop more integrated and more flexible services that can adapt quickly
- If Sheffield Futures were not successful in securing this retendered contract then this would mean introducing a new provider to our local landscape of youth services as set out in this report. This would create a more complex picture of services in contradiction of our ambition to integrate and simplify service provision for young people.

On balance we believe the positive benefits of this option are outweighed by the disadvantages compared to the preferred option of taking core services in house.

5.3 Option 2 – Integrate and outsource a wider range of youth support services through an external commission

- By expanding the number of additional functions included in an external contracted service there are potential advantages through integration, and ability to attract alternative external resources through new funding models like social investment/impact bonds.
- However, having explored a number of possible options we have concluded that social investment models can be very complex, and are costly to commission and monitor. The outcomes for

young people we are seeking to achieve are often long term and influenced by a wide range of factors out of the control of the services we directly deliver. This makes them unsuitable for a narrowly defined 'payment by results' approach overall, although this might be suitable for some individual defined projects.

- Integrating externally would involve outsourcing a number of other existing council run services including youth justice, care leaver support etc. Our conclusion is that these services would be unsuitable for outsourced delivery as they are high risk and part of the council's core delivery of children's social care services.
- An external model reduces the council direct control and influence, and flexibility of service delivery and resources.

5.4 Option 3: Seek to create a new Sheffield Youth Mutual Organisation

- A number of local authority areas have, in the last 10 years, moved to create new independent youth mutual organisations, effectively 'spinning out' their existing youth services into a new employee-led charitable organisation.
- However, this option is not available to the Council, because our Youth Services are already delivered through a contract with an independent charity, and the staff are not employed by the Council.

5.5 Option 4: Create an alternative type of new organisation (for example a Sheffield 'Youth Trust').

- Under this option a new organisation could be established, if possible in partnership with other organisations, in order to pool resources and funding.
- The new organisation could take just a commissioning role (acting on behalf of all statutory organisations for example and contracting services on their behalf) OR directly employ staff and direct delivery.
- This approach has some potential advantages in terms of collaboration and aligning of resources. However, it would involve establishing a number of complex legal and organisational structures, including financial and contractual arrangements that would involve considerable costs to set up and maintain. There was concern when looking at this option that funds better used for frontline youth services would be used in managing the organisational arrangements and potential sub-contracting arrangements.
- One option in this category that was investigated was creating what is called a 'teckal' organisation – this is a company operating at arm's length from a council, but which is owned and directed by the Council. This model has potential advantages in that it can be more directly controlled and resources can be shared without competitive tender processes. However, a teckal company has limited scope to trade externally and draw in other

resources, meaning ultimately it has been rejected as no more advantageous than the council directly running the services and employing the staff itself.

5.6 Option 5: Stop or significantly reduce youth services

- This is not considered a viable option because council committed to positive outcomes for young people and to community based youth work and support.
- A number of statutory duties still exist which we need to continue to deliver.

6. REASONS FOR RECOMMENDATIONS

6.1 The approach set out in this report will provide a more coordinated set of provision and support for the young people of Sheffield and enable them to fulfil their potential. Taking back the direct management and delivery of a range of youth services will enable the Council to take a flexible and integrated approach in future provision for young people. A wider strategic citywide approach will enable the Council to engage with a range of other partners, including the NHS, Police, Schools, Communities and the Voluntary Sector, to coordinate resources and approaches across the city, and enable us to deliver our ambitions and aspirations for young people in Sheffield.

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