

**Cabinet Report**

Report of: Executive Director of Children, Young People and Families

Report to: Cabinet

Date: 18 March 2015

Subject: *Futureshapers* – a Youth Engagement Fund project

Author of Report: Sam Martin

Key Decision: YES

Reason Key Decision: Expenditure/savings over £500,000

Affects two or more wards

Summary:

The Youth Engagement Fund (YEF) is a Department for Work and Pensions (DWP) programme to pilot the use of Social Impact Bonds (SIBs) for innovative targeted youth support interventions aimed at preventing vulnerable and disadvantaged young people aged 14 and over from becoming, or remaining NEET (not in education, training or employment). Sheffield Futures, a local youth charity, has submitted a strong bid to a competitive two-stage bidding process to secure access to the YEF to run *Futureshapers*, a three-year SIB starting in April 2015, which if successful will engage 1800 young people who are at risk of becoming NEET.

DWP provides the majority of the funding for YEF projects but requires a local contributor to make a 25% commitment to the total cost of the programme. Sheffield

City Council (SCC) is well placed to act in this role because it already commissions Sheffield Futures to undertake targeted youth support, because it will help the local authority to achieve its statutory duty to reduce NEETs, and it contributes to its corporate objective of better preparing young people for adult life and work. In addition, the SIB allows SCC to pilot a new funding methodology through which it is seeking to develop a sustainable solution for targeted youth work at a time of continuing budget reductions.

This report sets out how the *Futureshapers* project would work and recommends that, should the bid prove successful, SCC adopts the role of local contributor and, as such, makes an *invest to save* financial contribution of £455,254 for each year of the three year project (April 2015 to March 2018 inclusive) from youth budgets, making a total contribution of £1,365,762.

Reasons for Recommendations:

The *Futureshapers* project will make a significant contribution towards the achievement of the council's strategic outcomes for vulnerable and disadvantaged young people. It will help over 1300 young people make a successful progression from school into the world of further education, training and employment, as well as building their resilience and confidence.

The *Futureshapers* project will, by bringing in new funding of over £3m initial investment from social investors and over £4m from DWP for outcome payments, deliver considerable added value to the 25% investment the council makes for the payment of outcomes. For the councils' investment, 100% of the return will be achieved in delivery and overall outcomes payments. This represents a high value use of council investment.

The successful delivery of the *Futureshapers* programme will result in lower demand for more intensive interventions with young people who are NEET. This will enable the council to make further year on year savings over the next three years against targeted youth support budgets, in anticipation of further public sector savings, whilst maintaining an effective system of support for young people progressing from school into adulthood.

Futureshapers allows SCC to test the SIB financial model, build a relationship with a network of potential social investors, and position Sheffield as a council and a city that can deliver significant improvement in outcomes using external investment in its services. As such, it is intended that this new investment model will allow SCC to build a sustainable funding model for targeted youth support at a time when the resources available to the council continue to diminish and it will provide the evidence base for continuing dialogue with government as to new

risk and reward arrangements through which youth services can be made sustainable.

Recommendations:

It is recommended that subject to the bid being successful:

- Cabinet endorses Sheffield City Council to act as the local contributor to the *Futureshapers* programme.
- the Executive Director, Children, Young People and Family Services and the Executive Director, Resources agree the appropriate financial profile and payment mechanism to allow the council to make an *invest to save* financial contribution of £455, 254 for each year of the three year project (April 2015 to March 2018 inclusive) from youth budgets, making a total contribution of £1,365,762.
- the Executive Director, Children, Young People and Family Services in consultation with the Executive Director, Resources and the Director of Legal and Governance be authorised to take all such necessary steps to ensure that any SCC contribution is legally safeguarded, including placing a charge on the ring-fenced bank account and negotiating and entering into a Memorandum of Understanding with *Futureshapers*; and that the outcomes are properly and appropriately assessed prior to the outcomes payments being made
- The Executive Director, Children, Young People and Family Services be authorised to recommend, in liaison with the Cabinet Member for Children, Young People and Family Services, a suitable candidate to assist the Board of *Futureshapers* properly to manage public funds and services.

Background Papers: none

Category of Report: OPEN

If CLOSED add 'Not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended).'

* Delete as appropriate

Statutory and Council Policy Checklist

Financial Implications
YES Cleared by: Liz Gough
Legal Implications
YES Cleared by: Deborah Eaton
Equality of Opportunity Implications
YES Cleared by: Bashir Khan
Tackling Health Inequalities Implications
Yes Cleared by: Dr Jeremy Wight
Human Rights Implications
NO Cleared by:
Environmental and Sustainability implications
NO Cleared by:
Economic Impact
YES Cleared by:
Community Safety Implications
YES Cleared by:
Human Resources Implications
NO Cleared by:
Property Implications
NO Cleared by:
Area(s) Affected
All
Relevant Cabinet Portfolio Lead
Cllr Jackie Drayton – Lead Member for Children, Young People and Families
Relevant Scrutiny Committee
CYPF
Is the item a matter which is reserved for approval by the City Council?
NO
Press Release
YES

Futureshapers – A Youth Engagement Fund Project

1.0 SUMMARY

- 1.1 The Youth Engagement Fund (YEF) is a Department for Work and Pensions (DWP) programme to pilot the use of Social Impact Bonds (SIBs) for innovative targeted youth support interventions aimed at preventing vulnerable and disadvantaged young people aged 14 and over from becoming, or remaining NEET (not in education, training or employment). Sheffield Futures, a local youth charity, has submitted a strong bid to a competitive two-stage bidding process to secure access to the YEF to run *Futureshapers*, a three-year SIB starting in April 2015, which will engage 1800 young people who are at risk of becoming NEET.
- 1.2 DWP provides the majority of the funding for YEF projects, but requires a local contributor to make a 25% commitment to the total cost of the programme. Sheffield City Council (SCC) is well placed to act in this role because it already commissions Sheffield Futures to undertake targeted youth support, because it will help the local authority to achieve its statutory duty to reduce NEETs, and it contributes to its corporate objective of better preparing young people for adult life and work. In addition, the SIB allows SCC to pilot a new funding methodology through which it is seeking to develop a sustainable solution for targeted youth work at a time of continuing budget reductions.
- 1.3 This report sets out how the *Futureshapers* project would work and recommends that, should the bid prove successful, SCC adopts the role of local contributor and, as such, makes an *invest to save* financial contribution of £455,254 for each year of the three year project (April 2015 to March 2018 inclusive) from youth budgets, making a total contribution of £1,365,762.

2.0 WHAT DOES THIS MEAN FOR SHEFFIELD PEOPLE?

- 2.1 Many young people find the transition from school into the world of further education, training, employment and young adulthood hard. Some lack the resources or support from family or others to make the right choices. This not only creates early barriers to their life chances, but leads to additional costs to the public finances in support services, benefits payments, and, for a small number of those most unfortunate, criminal justice system costs.
- 2.2 The *Futureshapers* programme will identify young people in Sheffield most likely to struggle with the transition to adulthood, and will provide early support to help them make the right choices and stick at them. It will do this by drawing on funds available from government (DWP) that would otherwise not be available to Sheffield. By setting this against investment from new social investors and the council, it will bring value to the city to pay for important social and educational services, as well as reduce costs to the public purse across the life of the programme.

Introduction

3.0 'FutureShapers' – how it will work

3.1 If the bid is successful *FutureShapers* will, over the three years, target 1800 14-19 year olds with the aim of fully engaging 1375 of these young people in post-16 education, employment or training. The target group will be teenagers who have exhibited one or more of the following risk factors that indicate a propensity towards long-term disengagement from learning or work including:

- poor school or college attendance
- exclusion from school or college
- low levels of attainment or progress at education key stages 3 and 4
- involvement in offending
- less likely to progress successfully from school to post 16 education, training or employment, including those with Special Education Needs or Disabilities, those in council care, teenage parents and teenagers from some Black and minority ethnic communities.

3.2 These target groups are known to face significant barriers to post-16 progression that can only be overcome with dedicated support and a range of high quality interventions including activity to build resilience and emotional wellbeing, to tackle low confidence and low self-esteem, to build employability skills and to improve literacy and numeracy. These young people also require support to address a wide and complex range of personal, social, family, health and housing issues. Evidence shows that more intensive support which commences at a much earlier stage enables vulnerable teenagers to make a successful transition into post-16 training or work. *Futureshapers* will provide this support.

3.3 The key to the help offered to the young person is a mentor who will provide consistent wrap-around support to participants throughout their *Futureshapers* journey. Programme participants will benefit from:

- *the Xtra Push* mental toughness programme – a six-day tried and tested group work programme focusing on developing Control; Challenge, Commitment and Confidence.
- Duke of Edinburgh Scheme Bronze Award, or the National Citizenship Service programme
- Essential Life Skills – budgeting, self-care, getting around, dealing with problems
- Employability Skills and work experience placements
- Parental Engagement
- ESOL (English for Speakers of Other Languages), where appropriate
- Access to specialist support including mental health and emotional wellbeing,

substance misuse support, specialist training etc.

3.4 Key outcomes for the programme (which will trigger outcome payments) include improvements in:

- school attendance and fewer exclusions
- continued engagement at school, college or work-based training, including apprenticeships
- attainment at ages 16 and 19
- sustainable employment.

4.0 **The Social Impact Bond (SIB) Model**

4.1 A SIB is a tool to raise external investment to enable the delivery of positive social outcomes. Social investors provide the funds to pay for services to be delivered, and are paid *back* their investment plus interest when, and only when, specific measurable outcomes have been achieved. The savings made by public bodies (local authorities, government, NHS, Police etc) in reduced service demand releases sufficient funds to allow the social investors to be paid back with some savings left over for the public purse.

4.2 SIBs are a relatively new idea and government departments, such as DWP, are keen to make funds available to local commissioners to test new methods of outcome-based payments where there is some confidence that greater impact is possible.

4.3 *Futureshapers* would be ground breaking in that it would be the first time a SIB has been piloted in Sheffield. DWP requires its SIB to be organised through third sector organisations working closely with their local authorities. DWP has stipulated that public bodies such as local authorities cannot, in their own right, act as the delivery agent for the Youth Engagement Fund. Sheffield Futures, as the city's leading youth charity, is well placed to adopt the delivery agent role whilst the council maintains its function as the primary commissioner of broader targeted youth services in the city.

5.0 **Financial Implications**

5.1 *Futureshapers* will, at a time when local authority funding for youth services is likely to reduce further, bring over £3m of additional government funding and social investment for targeted youth support to Sheffield over the lifetime of the project. This external investment will help SCC to meet its statutory duty under the Raising of the Participation Age legislation to take action to reduce NEETs and to increase 16-18 participation in learning or employment.

5.2 The YEF requires the local contributor to make a financial contribution to the project equivalent to 25% of the total amount available to the programme to pay for successful outcomes. The YEF stipulates that the local contribution is paid in full, up front within 28 days

of a successful project being signed off by DWP. This would be in April 2015. The funds, comprising the 25% committed by the local commissioner and the 75% committed by DWP, will be held in a protected bank account set up specifically to make outcome payments to the original social investors on a *payment by results* basis. The payments are made in units, not a lump sum, based on an agreed rate card set out by DWP in the programme prospectus e.g. if a young person on the programme achieves an NVQ Level 1 qualification, this triggers an outcome payment of £1,100 and a young person on the programme entering full-time employment triggers an outcome payment of £3,500. It is therefore only when significant volumes of successful outcomes are delivered that the original investors start to see a full return on their investment. If the delivery agent fails to achieve outcomes equivalent to the full value of the funds held in the outcomes account then unclaimed outcome funding is returned, in proportion to the share of their initial investment, to DWP and the local contributor (SCC) at the end of the programme, along with any interest that the contribution has accrued over the three year period.

- 5.3 The rules require three years' worth of local contribution to be paid in full in advance at the start of the programme. After this point, SCC will not have direct influence over the release of outcome payments. DWP will take responsibility for approving the release of funds from this outcome payments account. However, the financial framework for the programme is in line with SCC future spending plans for youth services and an appropriate legal agreement will be put in place which allows the council to recover, in full, its proportion of any unspent funds at the end of the programme.
- 5.4 Over the three years of operation, the SCC investment in the programme from its youth budget would be offset against planned savings arising from reductions in the value of its contract with Sheffield Futures. The upfront investment by SCC in the SIB would therefore be contained within its three-year youth budget savings plans.
- 5.5 For SCC, the payment of up-front funds would represent an *invest to save* proposal. SCC pays in Year 1 the total amount of funds that *would otherwise be spent over three years*, on the basis that this allows savings to be made over the three-year period against its youth budget. These savings will be possible because the successful delivery of the programme will lead to fewer young people falling into the category of NEET at 16/17, and a resultant reduced demand on council funded resources to provide the necessary support to these young people.
- 5.6 SCC currently contracts with Sheffield Futures to work with 2200 young people age 16/17 each year who are at risk of becoming NEET. The project will allow Sheffield Futures to undertake prevention and early intervention work with 752 young people in key stage 4 who are most at risk of becoming NEET and to offer intensive support to 563 teenagers who have left school and who disengaged from learning or work. This work will, over the life of the programme, lead to fewer young people falling into, or remaining NEET. This will result in lower demand for NEETs interventions at 16/17 which will enable SCC to reduce its spend in this area in line with anticipated budget pressures whilst, crucially, *maintaining the level of*

current good outcomes for young people and the city.

- 5.7 It is highly unlikely that all of the outcomes funding will be paid out by the end of the programme. For this to happen, every young person engaged by the programme would need to achieve every single milestone and achieve the full outcomes up to and including sustainable employment. Outcome and cost modelling suggests that between a third and a quarter of the outcomes payments might not be claimed. Although this would still deliver a range of positive outcomes for young people in Sheffield and a majority of those targeted, it would result in a repayment at the end of the programme of between £2-£400,000 to SCC in proportion to the original payment made by the council to the outcomes account. This funding would be available for SCC to reallocate as required.
- 5.8 For Sheffield Futures, as an independent charity, there are implications for the value of the contract that SCC makes available to it, which will be taken account of by the Sheffield Futures board. Over the life of the programme SCC will, as well as making planned savings as council budgets reduce, redirect £1.3m of contract payments to contribute to the outcome payments account for the *Futureshapers* programme. This loss of income can be offset against new income received through the SIB. This will allow Sheffield Futures to deliver the new work of the *Futureshapers* programme, as well as continuing to meet its full contractual obligations to the council's wider range of youth services.
- 5.9 In 2017, SCC's 15- year contract with Sheffield Futures to deliver youth services ends. The council will need to work with the Sheffield Futures board over the next two years in planning the approach to re-letting that contract, to take account of any potential change of provider and any possible implications for delivery of the *Futureshapers* programme.

6.0 ***Mitigation of Financial Risks***

- 6.1 SCC would, in making arrangements for the payment of its contribution to the outcomes fund, take a number of steps to limit any financial risk:
- 6.2 SCC would stipulate that the cash should only be held with a financial institution that meets the council's creditworthiness policies, and should not be invested for terms outside of the council's Annual Investment Strategy parameters. This would help to mitigate counterparty risk.
- 6.3 SCC will ensure that restrictions are placed over the delivery agent's use of the cash. These restrictions should ensure that the cash is held distinct and apart from the agent's wider operations, and should not be used to cash flow other activity, nor be offered up as collateral or security for other schemes. This would help to limit fraud risk.
- 6.4 SCC will ensure that its cash is kept safe in the event of the delivery agent failing. This can be achieved by way of a charge over the cash or a similar means of ensuring that the residual cash not due to investors is retrievable by the council in the event of the delivery

agent coming under financial distress, or outright failing. This would help to limit default risk.

- 6.5 SCC will also ensure that it has both the right and the means to actively monitor and challenge the financial and operational activity of the delivery agent. This could be achieved by having a non-voting seat on the delivery agent's board, or through open book reporting, if these would be acceptable to DWP as the programme commissioner. These principles would help to ensure the council could retain proper oversight over its cash deposit up until it was released in accordance with the contract.

7.0 Legal Implications

- 7.1 SCC has a duty under the Education and Skills Act 2008 to make available to young persons and relevant young adults for whom it is responsible such services as it considers appropriate to encourage, enable or assist the effective participation of those persons in education or training.
- 7.2 The Education and Skills Act also placed a duty on 16 and 17 years olds to participate in education or training, and a related duty on local authorities with a view to reducing the number of NEET young people, by promoting the effective participation in education and training of 16 and 17 year olds in the area with a view to ensuring that those persons fulfil the duty to participate in education or training.
- 7.3 The DfE guidance makes it clear that the government's approach is to give local authorities freedom and flexibility to decide how to fulfil their statutory duties with regards to the provision of these services. Local authorities are expected to meet any costs incurred in the delivery of these duties from their overall budgets, including central government grants. The *Futureshapers* project will enable SCC to fulfil this duty.
- 7.4 Although SCC has contributed to the development of the bid to help shape the services that will be offered the DWP rules do not allow for a contractual relationship between SCC and *Futureshapers* for the delivery of the services and therefore no procurement implications flow from these recommendations. However, this also means that SCC would have no direct control over the way that the services are delivered as it would if contractual relations existed.
- 7.5 A number of options are being investigated to mitigate the risks to the local contribution including:
- taking a legal fixed charge over the monies held in the ring-fenced account. Such a charge would require registering at Companies House
 - entering into a Memorandum of Understanding with the *Futureshapers* Board regarding the bank account, signatories, interest, and use and release of the outcomes fund and monitoring reports as well as the return to SCC of any unpaid funds at the end of the project
 - SCC participating in the appointment of an independent Chairman of the

Futureshapers Board and, in so doing, seeking to recruit someone with the requisite skills, knowledge, expertise and personal integrity.

8.0 Health Equalities Implications

- 8.1 By securing additional investment into services to improve outcomes for young people, *Futureshapers* would reduce the number of NEETs (one of the measures in the Public Health Outcomes Framework). Young people *not in education employment or training* are more prevalent in the more disadvantaged parts of our communities. Being NEET correlates well with a number of adverse health outcomes over the life course. This programme should therefore help to reduce health inequalities in the City.

9.0 ALTERNATIVE OPTIONS CONSIDERED

- 9.1 SCC is not eligible to submit a bid to the YEF, which is primarily aimed at charitable and private organisations acting as the contractor and delivery agent.
- 9.2 SCC has not been approached by other bidders to the YEF, but is supporting this submission in partnership with Sheffield Futures, the city's leading youth charity.
- 9.3 SCC could decline to act as the local commissioner to the bid, but to do so would be to deny the city the potential to access to £3m of external funding for targeted youth support. This would be inconsistent with its strategy of negotiating deals with government designed to secure sustainable financial arrangements that are capable of delivering better outcomes.
- 9.4 SCC has discussed with DWP the technical arrangements for the payment of the contribution to outcome payments, and has proposed alternative arrangements that give more financial oversight to the release of outcome payments. DWP has made it clear that it is not in a position to change the financial rules set out in the programme prospectus, and that any change to the financial arrangements would invalidate the Sheffield bid.

10.0 REASONS FOR RECOMMENDATIONS

- 10.1 The *Futureshapers* project will, if the bid is successful, make a significant contribution towards the achievement of SCC's strategic outcomes for vulnerable and disadvantaged young people. It will help over 1300 young people make a successful progression from school into the world of further education, training and employment, as well as building their resilience and confidence.
- 10.2 T The *Futureshapers* project will, by bringing in new funding of over £3m initial investment from social investors and over £4m from DWP for outcome payments, deliver considerable

added value to the 25% investment the council makes for the payment of outcomes. For the councils' investment, 100% of the return will be achieved in delivery and overall outcomes payments. This represents a high value use of council investment.

- 10.3 The successful delivery of the *Futureshapers* programme would result in lower demand for more intensive interventions with young people who are NEET. This will enable SCC to make further year on year savings over the next three years against targeted youth support budgets, in anticipation of further public sector savings, whilst *maintaining an effective system of support for young people progressing from school into adulthood*.
- 10.4 *Futureshapers* allows SCC to test the Social Impact Bond financial model, build a relationship with a network of potential social investors, and position Sheffield as a council and a city that can deliver significant improvement in outcomes using external investment in its services. As such, it is intended that this new investment model will allow SCC to build a sustainable funding model for targeted youth support at a time when the resources available to the council continue to diminish and it will provide the evidence base for continuing dialogue with government as to new risk and reward arrangements through which youth services can be made sustainable.

11.0 RECOMMENDATIONS

It is recommended that subject to the bid being successful:

- Cabinet endorses Sheffield City Council as the local contributor of the *Futureshapers* programme.
- the Executive Director, Children, Young People and Family Services and the Executive Director, Resources agree the appropriate financial profile and payment mechanism to allow the council to make an *invest to save* financial contribution of £455, 254 for each year of the three year project (April 2015 to March 2018 inclusive) from youth budgets, making a total contribution of £1,365,762.
- the Executive Director, Children, Young People and Family Services in consultation with the Executive Director, Resources and the Director of Legal and Governance be authorised to take all such necessary steps to ensure that SCC's contribution is legally safeguarded including placing a charge on the ring-fenced bank account and negotiating and entering into a Memorandum of Understanding with *Futureshapers* and that the outcomes are properly and appropriately assessed prior to the outcomes payments being made;
- the Executive Director, Children, Young People and Family Services be authorised to recommend, in liaison with the Cabinet Member for Children, Young People and Family Services, a suitable candidate to assist the Board of *Futureshapers* properly to manage public funds and services.

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