

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to:	CABINET
Report of:	Corporate Director, Economy
Date of Decision:	24 October 2017
SUBJECT:	YOUTH EMPLOYMENT INITIATIVE - YOUTH PROMISE PLUS - PROJECT REVISIONS
Key Decision:	Yes
Relevant Forward Plan:	Relevant Forward Plan Ref: 004072/2017
(please "X" box)	Chief Executive approved <input type="checkbox"/>
Relevant Cabinet Member(s) or	O&S Chairman approved <input type="checkbox"/>
Relevant Executive Member	Councillor Brett O'Reilly, Jobs and Skills
Relevant O&S Chairman:	Councillor Zafar Iqbal, Economy, Skills and Transport
Wards affected:	All (plus Solihull)

1. Purpose of report:

- 1.1 To update Cabinet on the proposed revisions to the EU funded Youth Employment Initiative project - Youth Promise Plus (YPP).
- 1.2 To seek authorisation from Cabinet to proceed on the reduction of the total project value from £50.4m to a revised gross value of £35.2m.

2. Decision(s) recommended:

That Cabinet:

- 2.1 Note the key issues impacting the Youth Promise Plus project.
- 2.2 Approve the proposed reduction of the total project value from £50.4m to £35.2m, which is subject to Department for Works and Pensions (DWP) approval.
- 2.3 Note the continued alignment of the Youth Promise Plus project with other key internal delivery and external projects such as Talent Match.
- 2.4 Delegate responsibility to the Corporate Director Economy, in consultation with the Cabinet Member for Jobs and Skills, to accept the revised funding offer.
- 2.5 Authorise the City Solicitor to execute and complete all necessary legal documents to give effect to the above.

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3. Consultation

3.1 Internal

Officers in Legal and Governance and City Finance have been involved in the preparation of this report.

3.2 External

The outline of the revised project scope was presented to a Working Group of the YPP Steering Group for endorsement on 21 June 2017. The Working Group agreed to the proposed project revisions and this decision has been formally conveyed to the full YPP Steering Group. The Project Steering Group comprises strategic partners; University Hospital Birmingham healthcare consortium, The Prince's Trust, Solihull MBC, St Basils, Transport for West Midlands, Further Education representation, Birmingham and Solihull Learning Provider's Network, Police and Crime Commission, Chamber of Commerce and DWP (Job Centre Plus). The revisions will be submitted to DWP for re-appraisal and approval, through a formal Project Change Request as per the contractual requirements.

4. Compliance Issues:

4.1 Are the recommended decisions consistent with the Council's policies, plans and strategies?

The revised project supports the key priorities of the City Council

- Jobs And Skills – A Great Place To Succeed In
- Children – A Great Place To Grow Up

4.2 Financial Implications

(Will decisions be carried out within existing finance and resources?)

The Full Business Case for this project was approved by Cabinet in February 2016 at a total gross value of £50.4m. Re-assessment of the risks to the project (as outlined in paragraph 5.5) has concluded that, to continue to deliver at the project's original scale, will result in underperformance against spend and outputs and lead to claw-back from the DWP as the funding body. The table below shows the change in projected gross budget from the original total £50.4m agreed with the DWP to the revised £35.177m budget. This has been caused by the loss of / inability to claim £5.075m local partnership match resulting in an associated reduction of EU (European Social Fund (ESF) and Youth Employment Initiative (YEI)) grant of £10.148m. Overall the City Council's match has reduced by 32%, and the combined Partner match (including Solihull MBC) has reduced by 28%.

Funding Source	Dec 2015 Full Application £000s	October 2017 Re-scoped project £000s	Change from Full Application £000s
BCC Match	11,944	8,208	(3,736)
Partner Match	4,856	3,517	(1,339)
Total Match	16,800	11,725	(5,075)
ESF/YEI grant	33,600	23,452	(10,148)
Project Total	50,400	35,177	(15,223)

This reduction in local match has been monitored for over 12 months, during which time significant efforts have been made by Delivery Partners and the City Council to reduce or replace the losses. However, it has not been possible to secure alternative *eligible* match funding to the original level. In view of this forecast, spending has been tightly monitored to deliver within the approved unit costs and value for money ratio, and the appropriate staff, resources and sub-contract levels are in place to deliver the re-scoped project. The Delivery Partners have confirmed their new commitment levels through new match funding letters.

4.3 Legal Implications

The City Council has the power to enter into this activity by the general power of competence secured by Section 1 of the Localism Act 2011. The activity is within the boundaries and limits on the general power set out in Section 2 and 4 of the Localism Act 2011 respectively.

4.4 Public Sector Equality Duty (see separate guidance note)

The Equality Analysis (EA000677) was submitted with the Full Business Case in February 2016. The project is specifically focussed on supporting young people who are NEET (Not in Employment, Education or Training), a group which suffers disproportionately high levels of ongoing unemployment in Birmingham as compared to other core cities. The original EA has been reviewed for this report (EA02367). The assessment identified that the project should have a positive impact on the following protected characteristics: Age and Disability. Delivery to date shows success in reaching these cohorts and also Black and Asian Minority Ethnic groups, and the reduction in scope does not change this positive impact and is attached at Appendix 1.

5. **Relevant background/chronology of key events:**

Summary of key issues

- 5.1 The Birmingham and Solihull the Youth Promise Plus (YPP) project Full Business Case was approved at Cabinet on 16 February 2016, based on a funding package of up to £50.4m which included £33.6m (67%) EU funds. The EU funding was allocated to the project by DWP (as the national Managing Authority for the European Social Fund and Youth Employment Initiative), based on the ability to evidence the City Council's and local partners' matched resources for *eligible* activity, amounting to the value of £16.8m (33%).
- 5.2 YPP is a multi-agency partnership project, the Delivery Partners are: The Prince's Trust, University Hospital Birmingham healthcare training consortium, Solihull MBC, Transport for West Midlands and the West Midlands Police and Crime Commissioner's office (funding partner only). The City Council is a Delivery Partner and nominated Accountable Body for the project.
- 5.3 The original approval was to combine existing and new resources to deliver an enhanced package of employment, education and training (EET) support to 16,610 NEET young people (aged 15-29 years) from Birmingham and Solihull. This includes vulnerable young people facing significant barriers to participation i.e. those with complex needs related to homelessness, or offending backgrounds, those in or leaving Local Authority care, those with learning disabilities or issues with mental health and wellbeing. The project is set to a tight timescale, with delivery due to be completed in July 2018.

- 5.4 In its role as Accountable Body for the project, the City Council has kept the project under constant review to maximise investment and local delivery. A number of issues have impacted on the ability of the City Council and Partners to deliver the project as originally envisaged in terms of timescale and contracted values. Some issues are, in our opinion, caused by the wider YEI programme implementation at national and EU levels; others are due to our local delivery or market conditions. All the issues have been reported to the Steering Group and DWP. The most significant are:
- a) YEI programme issues: A September 2017 EU-wide report by the European Parliamentary Research Service notes the late start of the YEI programme across the EU. Impact on this project: A later than anticipated project approval by DWP and hence a later start date, combined with the time-limited nature of YEI, and inability to extend the end date of the project, has reduced the original 2.5 year timeframe by 2 months.
 - b) The same EU report cites an EU Court of Auditors finding that better-refined targets are needed. Impact on the project: A further 2 months' delay occurred whilst clarity was sought on the targets (especially the eligibility criteria for participants); DWP Guidance was later issued on the 27 April 2016.
 - c) The strict target definitions, that were issued late, have also impacted on planned levels of eligible match activity: Some vulnerable young people we planned to support find it hard to meet the strict requirements to provide full Right to Work evidence, and prove their NEET status (including being in no hours of education or employment), so are therefore not eligible, or disengage during the entry process. This has particularly impacted on match arrangements that were already contracted, where the specification of support could not be changed, such as the City Council's Supporting People contracts. In summary, the City Council and Delivery Partners are not able to claim for a great deal of the help they provide, which would have been the norm under traditional employment programmes including the European Social Fund. This has significantly reduced the match funding and delivery scope of the project, however due to the inclusive ethos of the organisations involved, many young people are still being supported through these other resources.
 - d) There are also general ESF programme process rules that slow down the project, such as not being able to submit a Project Change Request (which takes at least 60 working days to process) at the same time as submitting a claim for payment, causing either delays to implementing changes, or a backlog in claims. For such an intense (short but large scale) project, these delays are significant.
 - e) Local delivery / market conditions issues: Originally the project Full Business Case included £23m of activity to be delivered through externally tendered contracts. Our initial procurements for providers in summer 2016 were partially unsuccessful due to the quality of tender submissions and an inability to seek clarifications from bidders, due to strict national guidance on EU funding related procurements. The combined result being the need to re-procure a large proportion of commissioned activity. £15m of contracts have now been awarded, with a further £1m of smaller contracts still in progress, as planned, to meet extra needs defined through delivery. Lessons have been learnt to improve tenders, and we continue to work with our providers to respond to the needs and complexities of supporting these often vulnerable young people.
 - f) In order to mitigate the impact of the time delay associated with commissioning and contracting, a number of interim actions were put in place, such as increasing direct delivery by City Council and Partner staff, and procuring smaller interim contracts but this mitigation could not fully recover original activity timescales. To manage risk going forward, the large contracts include clauses that allow the City Council to review activity at defined stages and do not commit the City Council to a specific level of spend. The scope of these contracts will deliver the activity required within the redefined project and will not result in any unfunded activity falling to the City Council.

- 5.5 Ongoing project monitoring showed continuing performance risks caused by delays and loss of match funding. Other Local Authorities delivering YEI funded projects around the country have experienced similar challenges and damage to delivery. In December 2016, Cabinet approved additional cash match of £1.5m, and to align staffing activity of £0.3m and other programmed resources of £1.4m, to help mitigate the losses of match. In addition, Cabinet was advised of new match funding of £0.9m being brought into scope through alignment with Birmingham Voluntary Services Council (BVSC)'s Talent Match programme delivery. However DWP's change approval process to enable the addition of BVSC as a Delivery Partner, could not be submitted whilst the first project claim was in process and in May 2017, both BVSC and the City Council concluded that this administrative restriction, combined with the rigid rules on the eligibility criteria of who can be supported, meant this join-up of programmes was no longer a viable option. However, close partnership working continues between the City Council and BVSC. This includes alignment between YPP and Talent Match delivery through establishment of a referral protocol, and strategic input at Steering Group and operational levels for each other's programmes.
- 5.6 To date, and despite these challenges, this large scale project now has over 9,600 young people in registration or support stages. The contracted providers are a range of private and third sector, national and local organisations. Delivery quality so far is varied; but there is progress in breaking delivery silos and providing excellent support. Contract management measures and formal improvement notices are in place where there is evidence of underperformance. So far, of the 911 young people who have finished or exited the project early, 63% (574) have been offered, or gone into Employment, Education or Training (EET) and a further 12% have gained a qualification. These are encouraging results so far for a project that supports such a wide range of young people including those furthest from the labour market. However the requirement for young people to prove their eligibility (as noted in 5.4c above) means a substantial number cannot gain project entry to receive the full project support package.
- 5.7 In terms of impact; comparison with DWP's unemployment claimant count for 18 – 29 year-olds for the period April – August 2017 (chosen because the final large YPP contracts were awarded in April 2017) shows the unemployment claimant count has fallen across Birmingham compared to this time last year; down by 4.6%. During this time the YPP project supported 288 18 - 29 year olds into EET (our 15 – 17 year old results have been excluded for this comparison). These DWP figures in the table below show their net change (the difference between claimant 'on and off flows'), next to the YPP gross results, however YPP participants are not necessarily DWP claimants as the project has a remit to find 'hidden' (non-claimant) NEETs as well as supporting at Job Centres. The table does indicate that the project is starting to provide added value across Birmingham alongside the work of Job Centres and other programmes.

April - August 2017 18 - 29 years old			
Area of Birmingham	DWP claimant change (net fall)	YPP supports into EET (actual numbers)	% comparison YPP volumes to DWP net change
North	110	54	49%
South	235	58	25%
East	320	119	37%
West	490	57	12%
Total	1,155	288	25%

- 5.8 It is now proposed that, due to participant eligibility limitations, the constrained delivery period and the reduction in match funding, the YPP gross project value and formal life-time delivery targets are reduced by 30% which is in line with our Accountable Body duties to manage performance and risk. Therefore 70% of the original 16,610 target group will be directly supported by the project, however due to the momentum the project has built up to attract or find young people and respond to their needs, we will still aim to attract the original target volume, and the 30% who can no longer be directly supported by the project will be signposted to receive appropriate support. This mitigation is possible through the now established multi-agency delivery partnership which still has capacity to support individuals through existing resources that can no longer be classified as eligible YPP match.
- 5.9 In line with the current Funding Agreement between the City Council and the DWP, (as Managing Authority), the proposed changes to the project should be agreed by the submission of a Project Change Request to be considered and agreed by DWP. This should result in a revised offer from DWP and it is proposed that agreement to this offer is delegated to the Corporate Director, Economy, in consultation with the Cabinet Member for Jobs and Skills.

6. Evaluation of alternative option(s):

- 6.1 **Option 1: Do nothing:** This type and scale of activity cannot be provided by any other organisation or Partners at this time. If, as Accountable Body, the City Council fails to declare changes in match funding to DWP, this would be interpreted as underperformance, resulting in clawback and reputational damage.
- 6.2 **Option 2: Seek and replace lost match funding to original level.** There has been exploration of alternative match sources, which as noted in 5.5 above included joining with BVSC as a partner, but this had to be aborted. The very lengthy DWP approval process (minimum 60 working days), together with the complexity and rigidity of the eligibility requirements, has proved to cause too much risk for new external partnerships to become engaged at this stage.
- 6.3 **Option 3: Potential extension to project delivery timescales:** this option has been and continues to be, explored with DWP at the highest level, but we have been informed this is not an option at this time.

7. Reasons for Decision(s):

- 7.1 To note the planned reduction in scale of the Birmingham and Solihull Youth Promise Plus project subject to agreement by Department for Work and Pensions.
- 7.2 To give authority to proceed on the reduction of the total project value from £50.4m to a revised gross value of £35.2m.
- 7.3 To delegate acceptance of the revised offer to the Corporate Director, Economy, in consultation with the Cabinet Member for Jobs and Skills.
- 7.4 To authorise the City Solicitor to execute and complete all necessary legal documents to give effect to the above.

Signatures**Date**

Councillor Brett O'Reilly
Cabinet Member for Jobs
and Skills

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Waheed Nazir
Corporate Director, Economy

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List of Background Documents used to compile this Report:

1. Full Application – Birmingham & Solihull Youth Promise Plus (YEI) submitted December 2015
2. Report to Cabinet (16th February 2016) Full Business Case Youth Promise Plus
3. Report to Cabinet (13th December 2016) Youth promise Plus Update

List of Appendices accompanying this Report (if any):

1. Equality Analysis