

# Lewisham Youth Service

Savings & Future Options

## Reason for Urgency and lateness

This appendix has not been available for 5 clear working days before the meeting and the Chair is asked to accept it as an urgent item. The report was not available for despatch on Tuesday 9 December because it was anticipated that additional information would be requested at the meeting of the working group held on the evening of 9 December. The report cannot wait until the next meeting due to the short timescale for the working group.

# Agenda

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# The current Youth Service

- The Youth Service provides and facilitates access to a range of activities for young people.
- **The current Youth Service budget is £3.46m.**
- **The current Service employs c.85 people, most of whom are from the local community.**
- **The Youth Service is comprised of 4 core elements:**
  - Direct/open access delivery of positive activities via 7 Council-run youth centres and 5 Council-run adventure playgrounds
  - Commissioned positive activities & more targeted support to those with vulnerabilities from PVI sector providers. This is delivered from Youth Service sites as well as elsewhere
  - A specialist 1:1 service and one stop support shop (Baseline) that offers holistic support around a range of vulnerabilities
  - A NEET Traineeship that offers a 12 week traineeship programme for young people who are not in education, employment or training

# The Youth Service vision

The last Youth Service restructure established a vision that is being embedded throughout the service:

The Youth Service maintains the following aims:

- Encourage others, as well as the Council, to deliver a vibrant range of activities for all our young people to enjoy and benefit from, and to recognise that all activities for young people across Lewisham and London are an important part of our youth offer.
- Support young people in Lewisham in need of extra help, to achieve the skills they need to become happy, healthy and successful adults.

These aims bring about the following outcomes for young people:

1. Improved life skills
2. Increased involvement in education, employment or training
3. Staying safe and well, and preventing needs from escalating

# The strengths & impact of the Youth Service

- **Our reach (council-run provision only):**

  - 85,000+ annual footfall

  - 2,500 individuals reached in the last 6 months (estimate = 4,500/annum)

  - 1,525 individual young people have attended our sites at least 3 times in last 6 months (estimate = 2,700/annum)

- **We provide good value for money:**

  - Current cost per attendee per hour based on full-cost recovery\* (council-run provision - 7 Youth Clubs and 5 Adventure Playgrounds) = £3.23

  - Current cost per attendee per hour based on full-cost recovery\*\* (commissioned providers - 5 Youth Clubs and 3 holiday providers) = £5.23

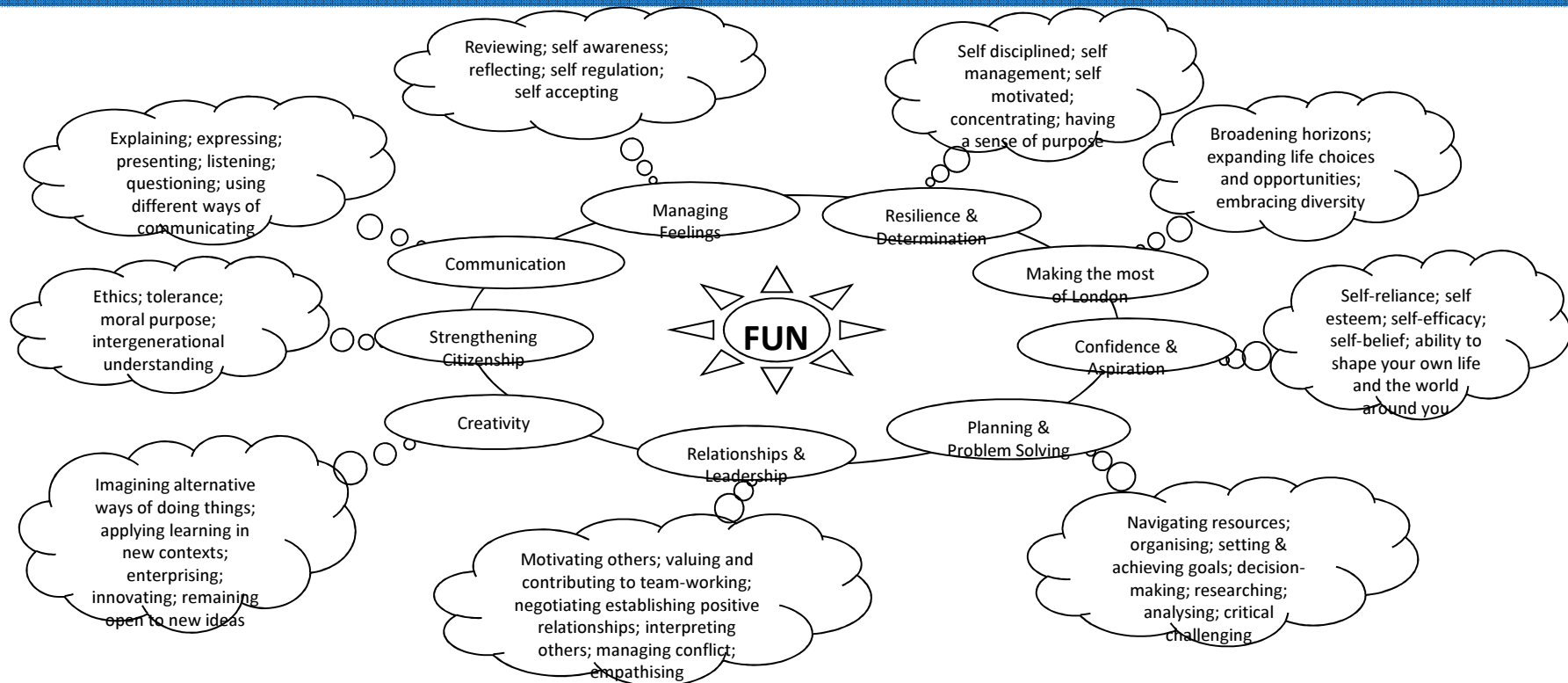
- Frontline youth workers are trained and qualified

- Service's unique makeup of skills brings together performance management, commissioning, youth work, business development & construction capabilities for the benefit of young people

- Frontline staff know local community & play equipment and enjoy well-established relationships with end-users, parents, local partners

- Service is embedding strong performance management indicators and data collection strategies. We are using a set of core capabilities, case studies and outputs to measure the impact of our services on young people.

# Youth Service outcomes framework



# £1.4m base savings to the Youth Service

**In order to contribute to wider Council savings, the Service is proposing to reduce its budget by £1.4m**

- The Youth Service will remove staff from 2 youth centres, end street-based capacity (*not* the capability) & reduce frontline staff commensurately. Two manager posts and one business officer post will also be deleted. Savings of £418k
- The NEET Traineeship and Specialist 1:1 service will be brought together strategically to form a re-engagement service. The Specialist 1:1 service could be recommissioned with Targeted Family Support and funded via the Troubled Families grant. NEET Traineeship will be re-specified in accordance with RPA and funded via alternative monies. Savings of £505k
- The Commissioning fund will be reduced by c.31%. Savings of £293k
- And generate £100k income



# Possible options for the Youth Service

- The Youth Service could make further cuts and reduce the Service now to a statutory minimum.
- A Youth Service contract could be put to tender and commissioned out to the PVI sector.
- The Youth Service could divide its centres and adventure playgrounds incorporating each individually as a charity and trust, mutual and/or social enterprise or commission these separately.
- The Service could remain a council-run service area and propose future savings in future years.
- The Youth Service could spin-out, establish a young person and employee-owned mutual, and legally incorporate the enterprise.

All options are part of the current consultation and will form part of the Mayor & Cabinet report in February 2015

## Possible option: reduce to statutory service model

- **Objective:** We could make £1.4m savings now and then make *further* savings of £1.7m to reduce the Service to its statutory minimum, which would only enable it to track NEETs and make young people aware of provision offered by other providers.
- **Pros:** The Council would continue to fulfil its statutory obligation and make significant savings that would contribute to the broader £85m figure.

Youth Service staff and young people would not be subjected to destabilising year-on-year cuts to the Service.

- **Cons:** All Council-run youth provision would end, and the Service would no longer commission the voluntary sector to run youth provision.

## Possible option: tender a service contract

- **Objective**: We would implement the £1.4m base savings and commission a Youth Service contract to a PVI provider.
- **Pros**: A reduced version of the current capabilities and outcomes delivered by the Youth Service would remain in the Borough for at least the duration of a commissioned contract.
- **Cons**: There is a very limited market for delivering a contract of the scale of the Youth Service. Initial market testing indicates there is only interest in partnering with a future mutual or charity, not in bidding for a whole service contract.

There is no guarantee the contract would be won by a local provider. If won by an outside organisation, there is no certainty the organisation would be supportive of the local voluntary sector.

The move would not enable the current staff to reap the benefits that accompany mutualisation, such as employee ownership, improved outcomes, increased productivity, resilience, etc.

A commissioned provider would deliver services corresponding only to the contract's value. Future reductions to the value of this contract would result in reduced provision. A mutual would be set up to raise additional funding and could enable the Council to reduce funding without a reduction in the level of service.

## Possible option: divide the Service

- **Objective:** We would make £1.4m savings now and then spin-out individual youth clubs and APGs, forming them into standalone charities, mutuals or trusts. Sites would be individually run or grouped, with trustees/board members governing sites. Alternatively, sites could be commissioned separately to one or more providers.
- **Pros:** Each independent youth site could avail itself of alternative funding (e.g. philanthropy, grants, corporate giving) to supplement council funding.
- **Cons:** All economies of scale would be lost, and the sustainability prospects of individual sites could be put at risk. This would lose the ability to move frontline staff in reaction to service user demand.

It would force each site (or group of sites) to develop commercial and management skills on its own.

Service delivery would potentially be piecemeal and disjointed.

## Possible option: remain in the council

- **Objective**: We would first implement the £1.4m base savings and then continue “business as usual” – meaning the Youth Service remains a Council-run service.
- **Pros**: The Council could easily make further savings by reducing the Youth Service budget that would contribute to broader savings targets.
- **Cons**: Given the magnitude of Council savings, and that the Youth Service is non-statutory, the Service would have to propose further cuts year-on-year.

This would further reduce Council-run and commissioned youth provision.

This would prevent the additional fundraising open only to non council entities.

# Possible option: mutualise the service (overview)

## **What is a public sector mutual?**

A mutual is a former public service that spins-away from its parent statutory body, is governed autonomously, and continues to deliver social value through its services whilst reinvesting any/all financial surpluses back into the organisation.

## **What legal form does a mutual take?**

A mutual is not a legal form; it adopts one of several legal forms, based on which one is best aligned with its strategic aims.

## **How are mutuals governed?**

Mutuals are typically led by a board of directors, involving business experts, staff representatives and service-user stakeholders.

## **How are mutuals funded?**

Sources of income: sales from services, corporate sponsorships and partnerships, grant monies, subcontracting, alternative use of assets, central government funding, etc. Good mutuals, like good companies, look to diversify income streams.

## **Do youth service mutuals exist?:**

There are currently 2 youth service mutuals in operation – Kensington & Chelsea and Knowsley.

# A vision for a mutual

As a young person and employee-led mutual, the organisation would continue to uphold the Council's vision for youth provision. But we would aim to go further – to create an organisational model that can deliver the Council's vision more effectively and at better value. We want to create an organisation where our staff are naturally empowered to own outcomes and deliver best value because they have a tangible stake in a real social business.

## We envision creating an organisation:

- Where young people have a greater voice in designing the services they use.
- Underpinned by an entrepreneurial ethos and with a culture where staff know what is expected of them and have the freedom to find the best ways to achieve success.
- That moves closer to the service-user and relies on the ingenuity of young people and staff.
- Where we can break the “arc of mediocrity” by giving staff the freedom to hone their strengths.
- Where financial surpluses are sought and reinvested in the business to further our mission.

# Mutualisation: opportunities & benefits

- Mutual model would allow for the formal engagement and input of young people with the services they use and in a real-life business venture. Youth voice would become stronger (e.g., particularly through share ownership and voting rights).
- Greater staff empowerment & staff ownership – staff would own outcomes and develop processes that work for them. Staff members would also be elected to board posts and have voting authority, offering them much more control.
- Shared ownership and employee participation in the governance could deliver improved outcomes for young people. (Employee productivity is between 9% and 19% higher in mutuals – they outperform traditional structures.)
- The opportunity to improve the commercial skills and upskill a largely local labour force (in areas like cost accounting, management strategy, cost reduction, etc.).
- New status would enable Youth Service to avail itself of increased funding streams currently unavailable to councils (e.g. grants from organisations like BBC Children in Need and delivering the Youth Contract programme).
- Would allow Service to realise full operating costs, allocate resources more effectively and procure for cheaper (e.g., moving to Google apps through Ancoris, procuring technical support via 3BM).



# Opportunities & benefits (continued)

- We would be the 3<sup>rd</sup> youth mutual in the country and the 1st in a deprived London borough – this would shine a positive light on Lewisham and raise its profile in a way to be leveraged by mutual & voluntary sector.
- Youth Service could enter into new youth provision markets and embed its ethos to serve more young people.
- Would give Service more flexibility to hire and develop talent to better respond to service-user needs.
- Voluntary sector is far-reaching -- opportunities exist for entering into partnership arrangements and subcontracting. We could partner with voluntary sector on grant bids, look to enhance provision, extend use of our sites, develop capacities to share viable business practices, etc.
- Mutuals are a brand supported by both political parties. Our efforts will be supported by Cabinet Office which will strengthen credibility...and Cabinet Office funding exists to help mutuals.
- The Service has strong, capable managers and trained, qualified youth workers who could be *better* motivated outside the restrictions of a large bureaucracy with tightly defined parameters.

# The research on employee-ownership

- Employee output is higher in employee-owned businesses (EOBs) than in traditional businesses
- EOBs support greater employment than traditional businesses
- Small EOBs (75 -200 employees) are more profitable than traditional businesses of a similar size
- The EOB model of business is more resilient and robust, due to higher levels of employee engagement
- EOBs do better at customer communication and empowering front-line managers than traditional businesses
- EOBs enjoy a more favourable business image among stakeholders than traditional businesses
- EOBs have lower staff turnover than traditional businesses
- EOBs have lower sick and employee absentee rates than traditional businesses
- EOBs have stronger employee commitment than traditional businesses

# Mutual funding & finances

## **Council funding:**

Youth Service officers would need to develop a business plan establishing the financial and operational viability of a mutual, the Council's potential financial commitment of 3-5 years.

## **Potential sources of additional income:**

- Letting space to entrepreneurs, community orgs, private events
- Before/after-school provision, youth tourism, alternative education, & other youth-related markets that will either draw upon our existing core capabilities, assets, human capital and/or enable us to leverage our assets and/or human capital
- Subcontracting on Youth Contract
- Corporate sponsorship
- Bidding for contracts in neighbouring boroughs
- Grants to deliver programmes
- Social impact investment, bonds, financing

If a mutual failed to generate income, the Council could decide to continue funding – and at what level – or seek an alternative option.

# Some challenges accompanying mutualisation

Logistical	Organisational/Cultural
<ul style="list-style-type: none"><li>•First restructuring the service to release savings &amp; then finalising the structure in order to mutualise the service</li><li>•Negotiating initial contract with Council (i.e., asset transfer, pension/redundancy, TUPE, buy-back of services)</li><li>•Creating business plan and other planning docs</li><li>•Assessing youth provision market for range of income possibilities</li><li>•Continuing to deliver services throughout change process</li><li>•Obtaining clear information re overhead costs</li><li>•Unpicking recharge figures and determining how much would transfer to a mutual to procure back office services</li></ul>	<ul style="list-style-type: none"><li>•Appropriately, transparently and meaningfully involving the voluntary sector in a way that addresses aims of sector <i>and</i> mutual</li><li>•Ensuring staff buy-in in planning processes and effective coalition-building to facilitate change</li><li>•Involving young people to solicit meaningful input</li><li>•Shifting staff culture from council to commercial and embedding commercial mindset</li><li>•Identifying and utilising appropriate communication channels to keep staff informed</li></ul>

# Governance & legal form

- The Service will need to determine a legal form based on future aspirations and commercial aims
- Legal form and governance are distinct – the legal form the mutual adopts will dictate the *type* of governing Board that oversees it
- Once incorporated as a legal form, the governing board can be tailored to suit the needs/aims of the organisation it oversees

## **Legal form: To adopt one of the following models? (Pros/cons to each)**

Unincorporated association  
Company limited by shares  
Company limited by guarantee  
Community interest company (CIC)  
Community benefit society

- There is no right model or “right way” to establish a mutual – model needs to align with strategic aims of business.
- Prevailing option: CIC or Community Benefit Society are models best suited to the aims of a public sector mutual.

# Appendix: Case study – Knowsley

- In 2012, Knowsley's youth service chose to spin-out its youth service (now Knowsley Youth Mutual) to prevent the elimination of universal, direct provision because of cuts.
- The entity is funded entirely by the Council and KYM has not yet developed income generation capabilities, though it plans to do so going forward. The council contract is for 5 years, after which point the contract will go to tender, not necessarily for the same amount. Feelings of staff buy-in and task ownership have increased; people are more motivated.
- There is a 3 year break clause in the contract. The contract is also tapered -- KYM to make savings during contract duration.
- KYM offers universal open access youth provision at 2 youth clubs (including one multifunctional OurPlace centre), run an outdoor education site and specialist services including NEET reduction. They are now working to increase sale of services to schools.
- Staff were TUPE transferred to new entity. For existing staff, pension & redundancy liabilities remain with the Council.
- The Cabinet Office endowed the mutual with £93k. They are currently generating some income by letting space and charging membership fees & fees for use of their skate park.

# Appendix: Case study – Kensington & Chelsea

- In 2011, K&C's youth service (now Epic CIC) faced a threat of ongoing cuts. To protect the integrity, scope and capacity of the service the Council agreed to spin-out the youth service from K&C.
- In the year prior to mutualising c.£500k savings were made. This left a youth service comprised of: centre-based universal provision, specialist keyworkers, NEET services, and PE & school sports services.
- The mutual was given a 5-year contract. During the contract they are required to save an additional £800k. They are in year 2 of their contract. At the end of the contract it will go to tender.
- As part of the contract it was decided the mutual would buy-back back office (i.e, legal, HR, IT) from the Council for 1 year only. They are now saving the council money by procuring services from market providers, such as Ancoris & 3BM.
- Epic CIC currently generates income from space rental, sale of services to schools, being subcontracted by NHS and the Youth Contract, and corporate philanthropy. They also receive in-kind support from businesses.
- Board is comprised of industry professionals, staff and young people. Org. emphasises business development
- Future aim to grow by taking on contracts from neighbouring LAs. Epic currently delivers services for Hammersmith.