

Decision Maker: RESOURCES PORTFOLIO HOLDER

Date: For Pre-Decision Scrutiny by the Executive and Resources Policy Development and Scrutiny Committee on Wednesday 5 February 2014

Decision Type: Non-Urgent Non-Executive Key Non-Key

Title: **BROMLEY YOUTH EMPLOYMENT PROJECT: PERFORMANCE UPDATE FOR QUARTER 2**

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Chief Officer: Nigel Davies, Executive Director of Environment & Community Services

Ward: (All Wards);

1. Reason for report

- 1.1 This report provides a progress update on the delivery of the Bromley Youth Employment Project which is being delivered by Bromley College of Further and Higher Education on behalf of the Council.
- 1.2 After disappointing performance in the first quarter, this report outlines the College's performance in the second quarter and identifies that a satisfactory improvement has not been achieved.
- 1.3 Although the College have recovered their performance in relation to the delivery of apprenticeships, they have conceded that they will not recover their performance in relation to the internship profile over the life of the project.
- 1.4 This report therefore recommends that members terminate the contract with the College for the delivery of this project. As the contract specification included a payment mechanism whereby funds will only be released when evidence is released to substantiate that specific outcomes have been achieved or delivered, this report considers further options open to members with regard to the outstanding balance of money.
- 1.5 Given the changes to employment support for young people and the reduced number of young people claiming Job Seekers Allowance in the borough, it is recommended that a task and finish group be established, overseen by a member working party, to consider alternative ways to deliver the Council's objectives relating to youth unemployment in a second phase of support.

2. RECOMMENDATION(S)

- 2.1 The Executive and Resources PDS Committee is asked to examine Bromley College's progress in delivering the project and consider the report's recommendations for the future of the project and provide their comments to the Resources Portfolio Holder.**
- 2.2 It is recommended that the Resources Portfolio Holder, after reviewing Bromley College's progress in the delivery of the project, agree to:**
- Terminate the contract with the College for the delivery of the Bromley Youth Employment Project by providing three months' notice following the decision.**
 - Approve the reallocation of the earmarked reserve to support the objectives identified in paragraph 3.21**
 - Approve the creation of a task and finish group, overseen by a member working party, to undertake an options appraisal to identify the best way to achieve those objectives, with a report being brought back with the outcome of that appraisal in June 2014.**

Corporate Policy

1. Policy Status: Existing Policy
 2. BBB Priority: Regeneration
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Financial

1. Cost of proposal: £500k
 2. Ongoing costs: Non-Recurring Cost
 3. Budget head/performance centre: Earmarked reserves for Member Priority Initiatives
 4. Total current budget for this head: £500k
 5. Source of funding: Earmarked reserves for Member Priority Initiatives
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Staff

1. Number of staff (current and additional): 1 existing FTE
 2. If from existing staff resources, number of staff hours: Approx 1.5 hours a week
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Legal

1. Legal Requirement: Statutory Requirement Non-Statutory - Government Guidance None: Further Details
 2. Call-in: Applicable Not Applicable: Further Details
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 198 unemployed residents aged between 18 and 24.
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments:

3. COMMENTARY

Background

- 3.1 Council on 26th March 2012 approved the setting aside of £2.26m in an earmarked reserve for Member Priority Initiatives. £500k was approved for the scheme to help tackle youth unemployment in the borough through supporting the creation of sustainable job opportunities.
- 3.2 At the meeting of the Executive & Resources PDS on 14th June 2012, the Resources Portfolio Holder approved the proposals to procure an employment and skills service provider to deliver the youth employment project which would support unemployed 18-24 year old residents to access sustainable employment by way of creation of apprenticeship and internship opportunities across a 3 year period (2013 – 2016).
- 3.3 On 31st January 2013, the Resources Portfolio Holder awarded the contract to deliver the project to Bromley College of Further and Higher Education ('the College') for the sum of £500k which included the delivery of 132 internship and 66 apprenticeship opportunities to a total of 198 young people in the borough. The contract documentation set out a payment model that protected the Council's investment against non-delivery by awarding the delivery of evidenced outputs related to the core outcomes. The quality of the tender for the project was good and offered better value for money than other tenders received.
- 3.4 After a delayed start, the College's progress for the first quarter was reported to the Executive & Resources PDS on 13th November 2013. The College's delivery against their profile had been disappointing for that quarter with only 3 apprenticeships and 2 internships being created.
- 3.5 The College cited two changes to the specification that they believed would enable them to achieve their delivery profile, which was agreed by members. The specification was amended to enable apprenticeship contracts to be for a minimum of 30 hours a week, and to be paid at apprenticeship minimum wage (rather than national minimum wage). The minimum number of hours for an internship was also amended to 35 hours a week.

Performance in Quarter 2

- 3.6 At the November meeting of the Executive and Resources PDS, it was agreed that progress should be reviewed after a further quarter of delivery to determine whether the College's performance had improved in light of the requested changes made to the specification.
- 3.7 To date, the College have delivered the following number of apprenticeships and internships against their profile. The numbers for the first quarter increased after the evidence for additional outputs was provided.

	Month	Profiled Apprenticeship Starts	Actual Apprenticeship Starts	Variance
Quarter 1	Jul-13	3	3	0
	Aug-13	4	2	-2
	Sep-13	10	11	1
Quarter 2	Oct-13	10	14	4
	Nov-13	6	4	-2
	Dec-13	3	3	0
Quarter 3	Jan-14	2	5	3
TOTAL		38	42	4

	Month	Profiled Internship Starts	Actual Internship Starts	Variance
Quarter 1	Jul-13	5	0	-5
	Aug-13	6	0	-6
	Sep-13	10	4	-6
Quarter 2	Oct-13	8	0	-8
	Nov-13	6	1	-5
	Dec-13	3	0	-3
Quarter 3	Jan-14	5	1	-4
TOTAL		43	6	-37

- 3.8 As the tables above show, although the College have now recovered their performance in relation to apprenticeships, they have failed to recover their performance for internships.
- 3.9 The College's performance in relation to their profile for internships is unsatisfactory, with only 6 internships being secured in the first two quarters of project delivery (only 14% against their profile). The College's performance in this area has been challenged at contract monitoring meetings with the Contract Manager. However, reasons for non-performance cited have been disappointing, particularly given that none of the reasons offered have resulted from a change to the market since the contract was tendered.
- 3.10 Members are reminded that the specification was written to deliver a set of outcomes. The number of internships and apprenticeships delivered was determined by the provider and formed part of the value for money assessment. The method for delivering the outcome was also for the provider to determine as part of their tender return.
- 3.11 The College are finding it difficult to recruit employers to provide paid and sustainable job opportunities for young, unemployed Bromley residents. They have explained that this is because:
- Employers are now more aware of apprenticeships and prefer the structured approach apprenticeships provide when employing young people
 - Increasingly, employers are creating part time work opportunities – the specification currently seeks to create full time sustainable opportunities
 - Employers are unwilling to commit to providing sustainable jobs as markets continue to be in a state of flux while the economy recovers.
- 3.12 The College have now disclosed that they do not think that they can recover their profile for the delivery of internships and recognise that they over-estimated their ability to deliver this requirement of the contract.
- 3.13 The College's continued non-performance has compromised the Council and increased the risk of challenge, given the position of other competitors at award. The College's financial score on their tender was considerably higher than the unsuccessful tenderers, based on the number of internships and apprenticeships they committed to deliver. Arguably, the other tenderers bid to deliver a lower number of employment opportunities for young unemployed people taking into the account the requirement to deliver both apprenticeship and internship opportunities. Although the College have the potential to deliver the apprenticeship numbers originally quoted, to further amend or split the delivery of the contract would result in a material and substantive change to the requirement, changing the economic balance of the contract. The College's non-

performance and inability to deliver the tendered number of outcomes leaves them in breach of the contract and compromises the Council's position should contract delivery continue unsuccessfully. With this in mind, officers must recommend that the Council terminates the contract with the College on the basis of default by the provider

Summary of the Project

3.14 Although the College cannot perform against their tendered profile, the project has successfully supported the creation of employment opportunities for a total of 48 young unemployed residents to date and made a real difference to those individuals. It has also supported local businesses with financial contributions to support employment costs. One employer said:

'Caroline has been taken on as our Junior Admin Assistant and she really is doing well with us. She's bright, has a great personality, is a fast learner and has the enthusiasm and "can-do" attitude that we look for when we employ someone at Cleverbox. The project has been really beneficial to Caroline as she was unemployed and had struggled to find a job since leaving uni. It's been beneficial to us at Cleverbox as we have taken on a bright new talent and also received a grant to assist us with the cost of this employment.'

3.15 Furthermore, the contract for the project ensured that the Council's investment was protected through a payment by results mechanism. The total spend on outputs to date is £30,682. If members are minded to honour the sustainable output payments in relation to those 48 employment opportunities already created by the project the total potential spend is £151,705, leaving the a remainder of £348,295 that could be reinvested into supporting youth employment in the borough, should members be minded to reallocate the funds in this way.

Next Steps

Changing landscape

3.16 The original specification was drawn up with input from the National Apprenticeship Service, Jobcentre Plus and colleagues across the Council. Since then, there have been significant changes to youth unemployment rates and welfare provision accompanied by recovery within the national economy.

3.17 The table below demonstrates that since members earmarked reserves to help tackle youth unemployment in the borough, the number of young unemployed individuals claiming Jobseekers Allowance in the borough has reduced significantly by 46%. This compares to a regional reduction of 43% and a national reduction of 41%.

	Bromley		London		Great Britain	
	Number of individuals	Rate (%)	Number of individuals	Rate (%)	Number of individuals	Rate (%)
Feb-12	1,585	7.0	57,095	7.2	484,465	8.4
May-12	1,325	5.8	51,250	6.4	434,670	7.5
Aug-12	1,330	5.8	49,455	6.2	431,180	7.5
Nov-12	1,270	5.6	49,020	6.2	403,625	7.0
Feb-13	1,245	5.4	47,055	5.9	417,500	7.2
May-13	1,040	4.6	42,200	5.3	370,980	6.4
Aug-13	965	4.2	40,955	5.1	351,880	6.1
Nov-13	940	4.1	34,974	4.4	297,205	5.1
Dec-13	855	3.9	32,560	4.1	283,855	4.9

Of those young people claiming Job Seekers Allowance in December 2013 in the borough, 25% have been claiming Job Seekers Allowance for over 6 months and are being supported to find employment through the government's Work Programme.

- 3.18 These statistics suggest that employment opportunities for young people are increasing as the United Kingdom begins to experience economic growth.
- 3.19 There has also been an increase in the provision of focused support available for those young people who are further from the labour market or experience specific barriers to employment. For example, a pilot scheme in 2013 from the Department for Works and Pensions funded early intervention support for young people when they begin to claim Job Seekers Allowance. At the end of January 2014, a £108m scheme to tackle youth unemployment in the UK was announced from the BIG Lottery Fund, with an allocation being targeted at London through London Youth. Furthermore, welfare reform has led to a cultural shift within the system and Jobcentre Plus has launched new ways of working with claimants.
- 3.20 Given these changes, it is suggested that it would be beneficial to consider the work to date to constitute completion of phase one and reassess the best way to support young people into sustainable employment, using the remaining earmarked reserves for a second phase of support that takes into account new ways of working with young unemployed people.

Options Appraisal

- 3.21 Members' priorities behind the creation of the Bromley Youth Employment Project were identified as follows:
- To tackle youth unemployment locally through supporting the creation of sustainable job opportunities for young unemployed Bromley residents
 - To provide support to local business seeking to employ young people to support private sector growth
 - To reduce the number of young people claiming Job Seeker's Allowance in the borough
- 3.22 Should members be minded to reinvest the remaining balance of earmarked reserves into these objectives, it is recommended that a task and finish group be established to explore other ways to deliver the objectives described in 3.21 through an options appraisal. It is recommended that this task and finish group be overseen by a member working party, and that the outcome of this options appraisal is reported back to the June meeting of the Executive and Resources PDS.
- 3.23 It is recommended that the task and finish group is led by the Bromley Education Business Partnership and includes representatives from:
- Business
 - Employment and Skills
 - Regeneration
 - Commissioning
 - Human Resources

The task and finish group would be advised by procurement, legal and finance colleagues throughout the process.

4. POLICY IMPLICATIONS

- 4.1 The project supports the Council's broader objectives around regeneration, children and young people and supporting independence. The project is a Building a Better Bromley priority for 2012/13

5. FINANCIAL IMPLICATIONS

- 5.1 Members previously approved the setting aside of £2.26m in an earmarked reserve for Member Priority Initiatives. £500k was approved for a scheme to help tackle youth unemployment in the borough.
- 5.2 In January 2013, Bromley College of Further and Higher Education were awarded the contract to deliver 198 apprenticeship and internship opportunities for young unemployed residents after demonstrating best value for money.
- 5.3 The contract specification includes a payment mechanism whereby funds will only be released when evidence is provided to substantiate that specific outcomes have been achieved/delivered at the various stages of the project.
- 5.4 The current spend to date is £30,682 for attachment fees already received.
- 5.5 If all these attachment fees result in the specified outputs being achieved and should Members be minded to honour the output payments, the total future liability would be an additional £121,023 resulting in a total spend of £151,705
- 5.6 If members are minded to terminate the contract with the College, there would currently be a balance of £348,295 remaining.

6. LEGAL IMPLICATIONS

- 6.1 The Council entered into a contract for the delivery of this service on 1st April 2013. This contract requires that the service is delivered in accordance with the specification and a profile of starts.
- 6.2 Clause 3.2 of the contract stipulates that
- ‘the Contract Manager and Project Manager shall work together to ensure that the Services are delivered in accordance with the contract and the Specification.’
- 6.3 As evidenced from the tables in clause 3.7 of this report, there is a disparity between the profiled apprenticeship and internship starts and the actual apprenticeship and internship starts for the first two quarters of delivery.
- 6.4 Given the current poor performance of the contractor, it is recommended that we terminate the contract before the termination date of 31st March 2016.
- 6.5 The Council shall serve a notice of termination on the contractor and set out within the termination notice the reason for the termination namely continuous poor performance by the contractor. Termination of the contract shall be in accordance with clause 21.1 of the contract which stipulates that the Council is to give at least 3 months written notice.

Non-Applicable Sections:	Personnel Implications
Background Documents: (Access via Contact Officer)	<p>Bromley Youth Employment Project – Update (November 2013)</p> <p>Bromley Youth Employment Project – Award of Contract (31st January 2013)</p> <p>Bromley Youth Employment Project – Renewal & Recreation PDS on 10th July 2012, Executive & Resources PDS on 14th June 2012</p> <p>Full Council meeting held on 26th March 2012</p>