

Report of Leeds Youth Justice Service

Report to the Deputy Director of Children & Families Social Work

Date: December 2019

Subject: Skill Mill Social Impact Bond



Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Will the decision be open for call-in?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Summary

1. Main issues

- To highlight the opportunities for Leeds under the development of the Skill Mill Life Chances Fund Social Impact Bond.
- To note the contractual arrangements under the Social Impact Bond (SIB) and to endorse agreement for the appropriate level of sign off on the contract arrangements with Social Finance within the SIB.
- Leeds has been operating successfully a Skill Mill for the past 3 years and has seen significant success under the operation of this model.

2. Best Council Plan Implications (click [here](#) for the latest version of the Best Council Plan)

- This service aligns with the Youth Justice Plan for Leeds.
- Making Leeds the best city for children and young people to grow up in
- Young people in the youth justice system are often subject to multiple disadvantages.
- Increase number of children and young people participating and engaged in learning
- Reduce numbers of young people not in education, training or employment

1. **Resource Implications** The Local Authority is required to support the programme with a commitment to pay a total of £200,000 for successful outcomes over the four years and to make a secondment of a Youth Justice supervisor to the project.
- 1.2 The Skill Mill will pay for the salary of seconded employees over this period (£38,000 per year for 4 years) and as such the net impact on cash flow for the Authority is modest, and at most will be a maximum of £12k per year over the 4 years.

Recommendations

- The Deputy Director of Children and Families is recommended to note the contractual arrangements under the Social Impact Bond (SIB) and to approve the proposed contract award to Social Prime Limited and Social Finance Limited within the SIB.

2. Background information

- 2.1 Leeds Youth Justice Service (YJS) is a strong statutory partnership that performs well against national targets and requirements and is seen as a key Youth Justice Service by the Ministry of Justice and Youth Justice Board. Leeds YJS is supported by the Local Authority, National Government and partnership funding contributions, which contribute to the delivery of statutory youth justice services and a range of youth crime prevention and early intervention provision across the city.
- 2.2 The YJS in Leeds is supported by a multi-agency partnership board chaired by the Director of Children's Services. The YJS partnership operates within a framework that requires flexibility and balance to work within a strategic environment that bridges Children's Services and Criminal Justice agendas.
- 2.3 The Skill Mill programme helps young ex-offenders (aged 16-18) engage with the labour market. It provides paid outdoor employment in their local area with on-the-job training in construction, environmental and flood management activities. This is a unique approach to both the rehabilitation and empowerment of ex-offenders and offers practical improvement of local environments.
- 2.4 Skill Mill has a five-year track record, starting in the North East, and has been operating in Leeds for 4 years, demonstrating the effectiveness of the programme. Re-offending rates are very low at around 9%. Employment take-up is high at around 60%.
- 2.5 This document presents the business case for Leeds joining in with a scaling up of the Skill Mill programme across 10 local authority areas. This scale up is being made possible by an outcomes-funded partnership involving the Government's Life Chances Fund as co-commissioner with initial funding provided by social investment. The proposed programme will run for four years starting early in 2020 and will work with 320 participants (32 from each Authority on average).
- 2.6 Each Local Authority is being asked to support the programme with a commitment to pay a total of £200,000 for successful outcomes over the four years and to make a secondment of a Youth Justice supervisor to the project. The Skill Mill will pay for the salary of seconded employees over this period and as such the net impact on cash flow for the Authority will be modest.

3. Main issues

- 3.1 Youth offending is high cost to society. Research has shown that intensive provision is required with those ex-offenders who want to work to help them establish work disciplines and re-integrate successfully into the labour market.
- 3.2 The Skill Mill programme offers six months of intensive training and employment to 16-18 year old young people who have been involved in significant levels of offending. The programme aims to reduce re-offending and secure employment for participants, who undertake supervised environmental maintenance jobs and receive accreditation of their training at Level II.
- 3.3 The Skill Mill has been operating in Leeds for 4 years, The model operates with groups of four young people, twice a year. The participants are guaranteed a wage, and The Skill Mill defrays this cost in part by arranging for participants to do paid outdoor jobs with partner employers. There is a very successful local partnership with Commercial Estates Group at Kirkstall Forge, the balance of Skill Mill costs are met through grant funding applications.
- 3.4 The programme focuses on supporting young people to complete The Skill Mill programme, achieving training qualifications and job opportunities and reduce reoffending. The Skill Mill targets the top 10% of young offenders, as identified by the Youth Justice Service, these are young people with significant or serious offending who would otherwise really struggle to access Education Training and Employment (ETE) opportunities. Outcomes will be tracked and payments made against them as each participant achieves milestones, subject to agreed verification procedures.
- 3.5 The Life Chances Fund programme is structured as an outcomes contract using the Social Impact Bond (SIB) structure. The outputs and outcomes targeted are assigned a tariff to weight the emphasis of the programme on securing employment/training post programme and in reducing re-offending.
- 3.6 The tariffs shown below in the table payable by the local authorities will be topped-up by Life Chances Fund such that over the programme life the total tariff payments made will be £2.0 million total for the ten local authorities and £1.8 million for Life Chances Fund.

3.7 Outcome Tariff payable by Local Authorities:

<ul style="list-style-type: none"> • Recruitment Successfully recruited into programme 	£150
<ul style="list-style-type: none"> • Induction completed Completion of 1month induction into programme 	£200
<ul style="list-style-type: none"> • 6 months completed Completion of 6 month Skill Mill training programme 	£600
<ul style="list-style-type: none"> • Qualification achieved Achievement of NVQ Level 2 qualification 	£2,000
<ul style="list-style-type: none"> • Secure job or further training Entry into paid employment or enrolment into NVQ Level 2 training or above 	£4,250
<ul style="list-style-type: none"> • 6 months no reoffending 12 months without court convictions, starting from the month the participant begins The Skill Mill programme 	£3,750

- 3.8 If all anticipated outcomes are achieved by all the 32 young people over the course of the four years of the SIB, then the Local Authority will make payments of a maximum of £200,000 over the four years (excluding VAT) at an average of £50,000 per year. This will be offset by the contribution towards the salary cost of the seconded

supervisor (£38,000 per year for 4 years) so the net cost to the Local Authority is £12,000 per year.

3.9 Depending on the success rates of the programme, outcomes payments might be weighted earlier in the programme (years 1-3) or later in the programme (years 2-4), to protect the local authority from unexpected fluctuations. There is a cap of £75,000 (excluding VAT) in outcomes payments per year.

3.10 The Life Chances Fund will make top-up payments on outcomes, to a maximum of £1.8 million.

3.11 The investors will contribute cash upfront to the SIB and Skill Mill to pay for the delivery of the programme. If the programme is successful and meets its targets the outcomes payments generated will be sufficient to repay their investment with a premium.

3.12 The SIB will function through a newly created project company called a Special Purpose Vehicle (SPV). The SPV Board will coordinate the different cashflows of the investment and will be involved with managing good performance and evaluating outcomes.

3.13 An additional source of income for both the SIB and Skill Mill, in addition to payments made by the Local Authorities and Life Chances Fund, is employers. Employer revenue describes sales made by The Skill Mill through paid environmental maintenance and construction jobs. These sales play a role in funding operations, alongside outcomes payments.

3.14 Attractions of this approach:

Financial

- The Authority only pays for successful outcomes that have been verified.
- Outcome payments are smoothed over time, rather than paying for services upfront.
- Skill Mill will meet the salary cost of a current employee, improving overall cash flow profile.
- The Authority's total commitments are capped; and largely offset by the value received of the employee secondment and premises hire.

Non-financial

- The multi-geography approach provides opportunities for learning and sharing of best practice.
- The use of a SIB structure provides funding for The Skill Mill organisation to ensure it can focus on delivering the programme effectively and building its sustainability to scale the programme further.
- The SIB structure provides for active performance management of the programme within the SIB with the potential for shared reporting and data analytics, thus reducing the burden of contract management for the Authority.

4. Corporate considerations

4.1 Consultation and engagement

4.1.1 The proposal does not have any specific impact on communities living or working in any specific area; the Skill Mill delivers a city wide service.

4.2 Equality and diversity / cohesion and integration

4.2.1 The Skill Mill service delivery should have a positive impact on young people who are frequently subject to multiple disadvantages and will positively contribute to their ability to integrate positively within their communities.

4.2.2 The target group for the Skill Mill are those young people that are furthest away from the labour market and need the greatest amount of support to succeed in obtaining employment

4.3 Council policies and the Best Council Plan

4.3.1 This service aligns with the Youth Justice Plan for Leeds.

- Making Leeds the best city for children and young people to grow up in:
- Young people in the youth justice system are often subject to multiple disadvantage.
- Keeping people safe from harm and promoting community respect and resilience:

Climate Emergency

4.3.2 The service should have a positive impact on the climate emergency, Skill Mill has an environmental focus with strong relationships with the Environment Agency and a history of work around flood water management and invasive species clearance and is thus very relevant to the sustainability agenda.

4.4 Resources, procurement and value for money

4.4.1 The Local Authority will be responsible for making payments of up to a maximum of £200,000 over the four years (excluding VAT) for an average of £50,000 per year.

4.4.2 This will be offset by the contribution towards the salary cost of the seconded supervisor (£38,000 per year for 4 years) so the net cost to the Local Authority is £12,000 per year

4.4.3 The new SIB arrangements represent value for money in that:

- The Authority only pays for successful outcomes that have been verified.
- Outcome payments are smoothed over time, rather than paying for services upfront.
- Skill Mill will meet the salary cost of a current employee, improving overall cash flow profile.
- The Authority's total commitments are capped; and largely offset by the value received of the employee secondment and premises hire.

4.5 Legal implications, access to information, and call-in

- 4.5.1 This is a Significant Operational Decision which is not subject to call-in. There are no grounds for keeping the contents of the report confidential under the Access to Information Rules.
- 4.5.2 Legal advice has been sought as to the application of the Public Contracts Regulations 2015 to this project and potential risks of proceeding with a direct award to Social Prime Limited and Social Finance Limited without seeking competition. Due to the level of spend it is considered that there is the potential risk of challenge from organisations interested in providing these services, that they will not be provided with an opportunity to tender for this work. In addition, there is also the potential risk of challenge that there are no real reasons justifying the direct award of a contract without publication of a notice in accordance with the Public Contracts Regulations 2015 (Regulations), and that the Council are simply seeking to circumvent the application of the rules. However, due to the reasons set out in section 3 above these risks are perceived to be low.
- 4.5.3 In addition, these risks can be diminished somewhat by the publication of a Contract Award Notice in OJEU immediately after the decision to award the contract has been taken as publishing such a notice will start time running for any potential claim for breach of the Regulations, which must be brought within 30 days of the date that an aggrieved party knew or ought to have known that a breach had occurred.
- 4.5.4 All the Local Authorities have agreed to produce an Inter-Authority Agreement in the first instance in which Croydon has agreed to act as Lead Council for the Partner Councils in relation to procurement of the SIB Contract, and the Councils have agreed to work together on its delivery, on the terms set out in that Agreement.
- 4.5.5 In order to access the Life Chances Fund, there is a contractual relationship required between the Council, Social Prime Limited and Social Finance Limited and an operational relationship between the YJS and the Skill Mill, with a requirement for the YJS to second a member of staff into the Skill Mill.
- 4.5.6 Leeds has successfully operated a similar arrangement regarding secondment with the Skill Mill for the last 4 years.
- 4.5.7 In making their final decision, the Deputy Director of Children & Families should note the above comments and be satisfied that the course of action chosen will deliver best value for the Council.

4.6 Risk management

- 4.6.1 Operational impact of the Skill Mill programme will be managed through the Leeds Youth Justice partnership which will receive 6 monthly updates on the programme.
- 4.6.2 Contractual and financial obligations under the SIB will be managed within the YJS in partnership with colleagues from LCC finance on a quarterly basis.

5. Conclusions

- 5.1.1 There are opportunities for Leeds under the Skill Mill Life Chances Fund Social Impact Bond. This will bring in additional resource and sustain and support the continued development of the Skill Mill programme for the next 4 years.
- 5.1.2 Leeds has been operating successfully a Skill Mill for the past 4 years and has seen significant success under the operation of this model.

6. Recommendations

- 6.1.1 The Deputy Director of Children & Families is recommended to note the contractual arrangements under the Social Impact Bond (SIB) and to approve the proposed contract award to Social Prime Limited and Social Finance Limited within the SIB.

7. Background documents¹

- 7.1 None

¹ The background documents listed in this section are available to download from the council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.