

**To: City Executive Board**

**Date: 7<sup>th</sup> December**

**Report of: Graham Stratford, Head of Housing and Communities**

**Title of Report:** Options appraisal of Oxford City Council's Positive Futures Programme

## **Summary and Recommendations**

**Purpose of report:** To recommend a preferred business model that sustains the Positive Futures teams' ability to deliver the youth activities for vulnerable young people.

**Key decision - No**

**Executive lead member:** Cllr Antonia Bance

**Policy Framework:** Transform Oxford City Council by improving value for money and service performance  
Supporting strong and active communities

**Recommendation(s):** Approve the In-house delivery and commissioning model as the council's approach for delivering activities to vulnerable young people, supported by the council's strategy to optimise fees and charges, but that the Service continues to look critically at different options for future service delivery.

Appendices to report

Appendix 1: Risk register

Appendix 2: Initial Equality Impact Assessment

- Climate change / environmental impact
- Equalities impact – ***an initial equality impact assessment must be appended***

## **Background**

1. The Oxford City Council Positive Futures Programme is a range of activities targeted at vulnerable young people. In this instance vulnerability may be either a person identified as at risk of offending or committing anti-social behaviour, or living in an area of higher deprivation as determined by the Regeneration Framework. Oxford City Council's

social inclusion objectives are to continue to provide holiday activities and Positive Futures programmes that improve young peoples' life chances.

2. The Positive Futures Team is part of the Community Safety Team. They work under the line management of the Active Communities Partnership Manager and comprise the following:
  - a. Active Communities Partnership Manager (OCC funded)
  - b. Positive Futures Coordinator (externally funded)
  - c. An apprentice (externally funded)
  - d. Five part-time Positive Futures staff (externally funded)
3. External funding pays for staff salaries and the Positive Futures Core Programme is predicted to reduce and may cease in the next few years. The funding streams are:
  - a. Youth Task Force: £39k
  - b. Catch22: £19k
  - c. Oxford Safer Communities Partnership: £30k
4. These financial challenges must be looked at in the context of other organisations in the city, both voluntary and statutory, reducing their level of provision to young people. Reduced provision does not meet the aspirations of communities in the city to provide more for young people to do and increase targeted work to help young people make positive choices. The Localism Bill creates a new "community right to challenge" which enables local residents and community groups to challenge local authorities to run procurement process for the delivery of a specified set of public services. This change, alongside the greater emphasis on commissioning rather than direct provision of services in local government, means that it is likely that there will be further threats and opportunities in the delivery of youth activities.
5. Thus the challenge for the organisation is to reduce the reliance upon external grants for key staff salaries; keep the free Core Programme running to enable the most vulnerable young people to be referred in at no cost, and expand the provision in the city in light of the well publicised reductions in local youth activities.

### **Options appraisal**

6. The Executive Director of City Services, Community Safety Manager and Active Communities Manager undertook an options appraisal of the Positive Futures Programme, to try and identify the most sustainable model for delivery and growth of youth activities. Core requirements were identified and scored against a number of business models, as set out in the table overleaf.
7. The group identified the business priorities for any future model:
  - a. **Strategic and operational control.** To deliver the council's vision to support vulnerable young people and improve their life chances it is essential that the council maintain a high degree of control over the strategic direction of the operating model.

- b. **Income generation.** To ensure the continued provision of youth activities in the light of reduced grant funding, the model needs to be able to generate income. Oxford City Council's Trading Strategy makes it clear that the council has the power to set fees and charges for discretionary services. An application for permission to set these fees and deliver services on a cost recovery basis has been submitted to Legal Democratic Services and Finance as required by the council's procedure. The advantage of an internal team is the increased ability to internally recycle council funds if value for money can be demonstrated.
  - c. **Access to govt and charitable grants.** Access to funding streams not normally available to local authorities would go some way to expanding the activities the team provides. Current practice has been for the team to work in partnership with a local voluntary sector provide in the submission of grant applications. This approach gives the council a significant amount of influence in the type and delivery method of activities in the city, even though they may not be delivered by our Positive Futures Team.
  - d. **Business skills available.** The business skills needed to run an external Trust are very different from operating in-house. Operating as a separate Trust would need for highly skilled Chief Operating Officer to manage the organisation.
  - e. **Size of fixed cost burden.** Each model has notable differences in the cost that need to be covered, irrespective of the level of trading. Models were assessed against a benchmark score of 3, based on the size of the cost base for the In-house plus commissioning model currently in operation.
  - f. **Low level of risk.** The levels of risk and uncertainty of each model were assessed. The scores ranged from enhancing the current method of operation to the creation of a new entity, potentially exposed to high levels of risk.
8. Having spoken with a number of social enterprise consultants the most appropriate business models were identified. These were:
- a. **In-house.** Operate within the council as the delivery mechanism for youth activities. This was the model operating before the Activity Communities Partnership Manager became responsible for the commissioning of the council's Holiday Activities Programme.
  - b. **In-house plus commissioning.** This is the current operating model operating within the council as the delivery mechanism for youth activities. The team commission statutory and voluntary sector organisations to delivery activities when they are better placed to do so.
  - c. **Out-source to existing Trust.** Move the existing team to an established not-for-profit organisation that has the business skills and market knowledge of the local area. This would require a business case to a prospective trust that demonstrates that the

current team's fixed costs would be offset by income generation and a surplus would be made..

- d. **Set-up a new Trust – full.** The creation of a social enterprise company as a spin-off from the council, providing increased freedoms and ability to access direct charitable grants. Potential benefits from tax relief, Non-Domestic Rate Relief and Gift Aid.
- e. **Set-up a new Trust – pocket.** Effectively a shell external organisation operating under the control of the council. Subject high degree of scrutiny and risk and potentially subject to challenge.

9. The models were scored from 1 to 5 against each of the business priorities, with 5 being a positive score.

Priorities	Model				
	In-house delivery	In-house delivery and commissioning	Out-source to existing Trust	Set up new Trust – full	Set up new pocket Trust
Control of strategy	5	4	3	3	4
Income generation	3	4	5	5	5
Access to govt and charitable grants	2	3	4	5	5
Business skills available at no cost	5	5	3	1	1
Size of fixed cost burden	3	3	2	1	1
Low level of Risk	5	5	3	2	1
<b>Total</b>	<b>23</b>	<b>24</b>	<b>20</b>	<b>17</b>	<b>17</b>

### Short-listing

- 10. The In-house model was dismissed as this would effectively pass the current commissioning of summer holiday activities from the Positive Futures team to another council service. There would be no financial or other business benefit from doing so and would be a retrograde step in the development of the programme.
- 11. The Pocket Trust option was also dismissed due to the financial risks involved in operating a model that through additional scrutiny could fall foul of taxation and charity laws.
- 12. The three remaining options underwent further in-depth consideration to determine whether the preferred option.

### Final option 1: Set up a new trust

13. The lowest scoring option was the establishment of a new trust, spun-out from the council.
- a. There is a significant risk of losing strategic control and governance of the organisation. Local authorities who have set up trusts are moving away from direct member involvement on a board, due to the conflict of interest between their role as a Trustee and member of the authority's decision-making apparatus. This factor maybe addressed more easily in the initial few years of the trust but the likelihood of a greater separation between the trust and authority increases the longer it is in operation.
  - b. This option scored highly on its ability to raise income through charging and access to grants that are unavailable to local authorities. It may also benefit from VAT, NDRR and Gift Aid.
  - c. The availability of in-house cost-neutral business skills was scored low. It requires specific skills and competencies to develop an organisation through its inception and establish it as a sustainable business. There would be a need to employ a Chief Operating Officer on a competitive salary.
  - d. The fixed cost base of an independent trust is estimated to be £150k. This would include the salary of the Positive Futures Programme Manager and Chief Operating Officer. A reserve of three months operating costs, rent, rates, utilities, vehicle lease and funding the existing free Core Positive Futures Programme are also included. At a market rate of £30 per hour, half of this charge would be spent on direct costs (hourly wage, petrol, expenses) leaving £15 ph contribution to fixed costs. The trust would need to be contracted to work 10,000 hours per year, the equivalent of six staff working 35 hours per week for 48 weeks of the year. Current market analysis indicates that there is not this level of business in the youth activities sector.
  - e. To conclude, the fixed cost base is too high due to the cost of the business talent needed for a sustainable business model. The potential loss of control in the medium to long term would bring about difficulties in delivering the council's vision of providing activities to vulnerable young people.

#### **Assessment 2: Out-source to an existing Trust**

14. Identification of an existing organisation with the skills and experience in delivering youth activities was the second highest scored option.
- a. This option scored poorly in maintaining strategic control. Although an agreement could be set up with the organisation to deliver targets against grants funded by the council, control over the strategic direction of the organisation would be limited. More importantly, the team would have no responsibility to deliver new activities that were aligned to the council's vision if they were cost neutral or needed subsidising. There would be a purely transactional relationship with the council as grant providers.

- b. The trust could gain access to grants not available to local authorities and would most likely have in place arrangements that take advantage of VAT, NDRR and Gift Aid. They would certainly be able to set fees and charges.
- c. The trust would have business skills available to it to support and administer the team. However, crucial to the success of the team would be experience and knowledge of the youth activities market, particularly the comparative niche market of delivering to vulnerable young people. Initial market analysis has identified organisations in the UK that deliver these services. They range from small, grant-reliant bodies that operate in a discrete locality to national charities that provide activities in areas that commission them. The smaller organisations face the same financial pressures as most other voluntary sector organisations with their level of income under threat, bringing about difficulties in covering their cost base. The larger organisations have no local base in Oxfordshire but maybe willing to be the umbrella organisation for the team.
- d. The size of the fixed cost burden may be a prohibiting factor in approaching an existing organisation. The current Positive Futures Team is in the last year of some of their grant funding, and uncertainty surrounds others. An umbrella trust would need assurances that the costs of the team are paid for by the city council or established grants. There would be a number of economies of scale if the trust has an existing operating base in Oxford through potential efficiencies in rents, rates, utilities and equipment. If they had no such presence then significant set-up costs would become a factor.
- e. To conclude, the fixed cost base would be smaller than that of a new trust but still prohibitive. There would be a reduction in strategic control and no responsibility for delivering the council's vision outside the transactional nature of a grant agreement. The ability to access external grants and business acumen make this the second choice option.

### **Assessment 3: In-house delivery and commissioning partners**

15. This is the business model currently in operation. The council's strategy of providing activities to vulnerable young people is a mix of direct delivery by the team and commissioning external providers in areas where they are better placed to deliver a service. This approach is best highlighted by the Holiday Activities Programme where the team deliver 15% of the programme and partners deliver the remainder. The initial pressure to spin-off the Positive Futures team in the light of financial pressures has eased with the strengthening of the council's strategy to charge for discretionary services and trade with public bodies.
- a. Control of strategy would remain wholly within the Council. There would be no tension between a Board Member's responsibility to the council and a trust. In addition, the responsibility for developing strategy, seeking and exploiting new opportunities, developing new

partnerships and delivery value for money activities would remain within the council.

- b. Income generation would be achieved through the setting of fees and charges on a cost-recovery basis, including a contribution to overheads. This would enable the salaries that are currently reliant upon grant funding to move to a more sustainable model. This would include providing activities in support of the free Core Positive Futures programme.
- c. The team have experience of working with the voluntary sector to support their applications for grant funding not available to local authorities. Successful applications may result in the Positive Futures team delivery some activities on behalf of the grant applicant.
- d. The access to cost-neutral business resources is a significant benefit to the in-house model. The Positive Futures Team has many years experience of delivering activities at low cost. It has developed extensive networks with key stakeholders, both financiers and delivery organisations, and has a high reputation from young people and partners. Its business support, financial monitoring, needs assessment and project evaluation is supported by officers within the community safety team and other support services.
- e. The size of the fixed cost burden is scored higher than out-sourcing options. This is due to a significantly lower salary burden, the lack of a reserve and economies of scale of sharing other fixed costs with the community safety teams and the Council as a whole. The ability to set fees and charges on a cost recovery basis will enable the team to move away from a reliance on grant funding to contracts with public and voluntary sector organisations. The team will be able to provide activities which involve direct charging to parents, for example in an after-school setting, and consider providing programmes outside of Oxford city.
- f. Fixed costs would include the Positive Futures Coordinator, Positive Futures Apprentice, Core Positive Futures Programme, vehicle leasing and equipment. It is estimated that fixed costs would total £60,000, considerably less than the Out-sourcing option. The breakeven point could be reached through the equivalent of six officers working 14 hours per week, a figure more in line with the current market.
- g. To conclude, the stability of remaining within the council, greater control over the strategy of delivering activities to vulnerable young people, a lower fixed cost burden and improved ability to set fees and charges makes this the preferred option.

#### Financial Implications

16. As detailed in the report, the improved trading ability of the Positive Futures Team will enable the team to reduce its reliance upon external funding by setting fees and charges. The amount of trade needed to cover

existing overheads in significantly less if the In-house and commissioning model is adopted.

17.

**Name and contact details of author:-**

Name: Richard Adams

Job title: Community Safety Manager

Service Area / Department: Housing and Communities

Tel: 01865 252283 e-mail: rjadams@oxford.gov.uk

**List of background papers: None**

**Version number: 2**