

**National Employability Fund Programmes
Funding Reduction, Impact in a Midlothian Context****Report by Director, Education, Communities and Economy****1 Purpose of Report**

The purpose of this report is to explain the changes in employability programme funding and the implications for Midlothian. This along with historical income targets has created a funding gap within Lifelong Learning and Employability. There will be a direct reduction in the number of young people and adults achieving a positive destination. The report will put forward potential options to mitigate some of the impact.

2 Background

- 2.1** The budget pressures on the Scottish Government have resulted in various reductions to programmes either through the withdrawal of staff or a reduction in the funding available to run programmes. Competition for the reduced resources has also increased. Following an estimated 87% budget cut by the UK government in the first year of devolved employability services in Scotland, Scottish Ministers have stepped in to provide up to £20 million in additional funding, to replace the UK Government's Work Choice and Work Programme schemes. This trebles the funding being made available to exercise new devolved powers on employability from 1 April 2017.

Aspects of employability support, benefits and sanctions will become a devolved matter for Scottish Government, funding to operate these programmes has been reduced. Informally through the national Employability Conference we were informed that the principles and values behind the programmes would be more inclusive and that there would be a likelihood of three year commissioning for these services. This would take the form of partnership cluster bids not one for each local authority but described as optimum package areas. The newly devolved programmes require to be operational by April 2017.

The Skill Development Scotland Employability Fund has been reduced by 40% nationally due to the funding settlement. This has traditionally funded programmes where a trainee allowance is paid over a 13 week period where work is carried out to increase qualifications, work skills and secure a positive destination. Over recent years the time period for working with trainees has reduced from 26 weeks to 13 weeks. This reflects the reduction in funding over time.

In addition, the national team for Developing Young Workforce (DYW), secondments have been brought to an early conclusion this is another indication of reduced funding. We have had DYW funding over the last two years, the DYW programme is a seven year intervention however we do not know if further funding will be received for 16/17 and beyond.

2.2 Implications for Midlothian

The reduction in available employability funding for 16/17 has a direct impact on the services and programmes we can offer within Midlothian through the Lifelong Learning and Employability Service. This will reduce the number of opportunities for those at risk of a negative destination both young people and adults.

For the local authority area of Midlothian there were 221 employability fund places for 14/15, this was reduced to 214 for 15/16 and 124 for 16/17. At the contract award co-decision meeting for 16/17 these places were awarded to a variety of third, public and private sector providers. Lifelong Learning and Employability had 70 places in 15/16 for Midlothian and 35 for East Lothian, for 16/17 they have been awarded 0 places for Midlothian and 8 for East Lothian. The places for Further Education Colleges in our case Edinburgh College and SRUC (previously Oatridge College) have been ring fenced.

At the time of writing this report the providers who have successfully secured a contract to deliver for Midlothian have not been publically released; they are likely to be a mixture of local and Edinburgh based third and private providers.

2.3 Summary of Feedback of Approaches for Other Local Authorities

Six local authorities have provided feedback on their approaches and to employability; these were East Renfrewshire, North Lanarkshire, Clackmannanshire, West Dunbartonshire, Aberdeenshire and Scottish Borders. They all provide a consistent message regarding the advantages of local authorities having a key role in the co ordination of the employability pipeline along with a key delivery role. The benefits are avoidance of duplication, co-ordination of partnership working and a focus on those with multiple barriers being supported across the pipeline over a number of years. Local authorities can commit to the long term support required to provide consistency of contact and development. The relationship formed over a sustained period of time between the service user and the key worker is fundamental to increasing the chances of achieving a sustained positive outcome. Employability staff within local authorities are uniquely placed to maximise the supply and demand side of employability through the links the council has with small and larger businesses and other public sector providers, including the opportunities provided through community benefit clauses.

The City Deal and inter-authority working provides a unique opportunity for Midlothian employability services to take advantage of these funding streams to grow and ensure a very localised approach within Midlothian. However we also need to ensure we take advantage of regionalisation to support local people to have a broader range of supported employability across the region but localised support especially in the early stages of the pipeline are crucial to success.

2.4 Historical Financial Income Targets from Contracts

When Midlothian Training Services started bidding for contracts approximately 20 years ago an income target was incorporated in to the budget. This income target was aligned with expenditure to run programmes such as management costs, staffing and trainee allowances.

Over the years there has been a significant reduction from approximately 25 to 10 members of staff equating to a reduction of 60%. However the income budget for the service was not reduced accordingly. The financial position was managed on annual basis according to the priorities of that time and the levels of income generated.

Through the service review we have merged youth and adult services linked to contracts and direct employability support which means that this aspect of the LLE service has been reduced to 10 staff members. These staff deliver individual support, delivery of employability programmes for schools and referral agencies; support both adults and young people to achieve positive outcomes.

In order to manage and realign income targets over the last two financial years the service management team have reduced actual and budgeted expenditure to offset the unachievable income targets. This has bridged the budget gap internally by £207,000.

The strategic plan for 16/17 was to identify further savings and use these to permanently reduce the income target to a realistic goal for the funding contracts available. However due to the loss of the main contract and the delay in being able to put in cluster bids for the new devolved programmes this will now not be a realistic strategy.

2.6 Service Delivery in 2016/17

The LLE service in 2016/17 is required to maximise the opportunities available, and to date they have been successful in securing the Modern Apprenticeship Contract for 16/17 to the value of £85,000. We have also received the Scottish Employment Recruitment Incentive (SERI) fund places. Approval for the European Social Fund (ESF) programme application has been received which aims to support 900 unemployed people facing multiple barriers over 20 months. The majority of the ESF programme will be procured. In addition to this we will build on the employability fund places already allocated for East Lothian. These achievements will help to mitigate to a degree the extent of the impact on positive destinations.

To increase mitigation of those at risk of a negative destination, we can continue to deliver a variety of programmes from the current staffing structure without the trainee allowance component.

3 Report Implications

3.1 Resource

In order to address the financial gap we have looked at the income and expenditure across the entire LLE service.

The following steps have been implemented to reduce the financial gap:

- Prior to the actions described in section 2.4 the income target across LLE was £743,000,
- Therefore the current budget and income target for 16/17 is £536,000 across LLE
- The maximum level of confirmed income for 16/17 is £157,000
- After a further review of expenditure budgets, we can carry out a further realignment and deliver an additional reduction of £147,000 through reducing budgets linked to trainee allowances, stationary, programme delivery, specialist equipment and other supplies and service across the full LLE service.
- Single year 16/17 income generation and re-profiling of DYW funding which equates to £70,400 (details attached in Appendix One).
- The income target of £536,000 for LLE is projected to be unachievable in 16/17 due the combination of the historic income targets and the reduction in employability fund contracts. LLE have a predicted overspend of £162,000 for 16/17. An income target review will take place for the as part of the development 17/18 budget.
- This table summarises the actions described so far:

Income Target 16/17	Confirmed Income 16/17	Additional reduction in expenditure across LLE	Single Year income	Projected Overspend
£536,000	£157,000	£147,000	£70,400	£162,000

3.2 Risk

We need to mitigate risks which are financial however there is also a high risk of negative impact on local people who experience multiple barriers to securing employment; many of these are from protected characteristic groups. The reduction in the level of support available and the decrease in locally accessible provision will compound the affect on those most vulnerable. Those most likely to be affect will live in the priority target areas and have additional needs for example, care experienced young people, adults with physical and or learning disabilities, people with mental health issues and those recovering from and drug and alcohol misuse or those with experience of the criminal justice system.

Young people leaving school are an increased risk of a negative destination as there will be less employability fund trainee places than last year. These have been reduced by 42% locally and in real terms means that there will be 90 less young people on paid local trainee programmes. Within the report we attempt to reduce this risk by offering 25 young people a place on a paid trainee programme funded by re-profiling DYW funding.

If we do not reduce the income targets and plan to increase income generation targets there will be a significant risk of the LLE budget being overspent in 16/17. The recommendations set out within this report reduce the level of unplanned for financial risk.

Over the next year there will be new opportunities to attract funding through the revised employability programmes, there is a risk that these will not be maximised if the LLE service is not in a position to take advantage of these. The actions outlined to increase income for 16/17 will reduce this risk along with active participation in the City Deal and the national employability network.

3.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

- ☐ Community safety
- ☒ Adult health, care and housing
- ☒ Getting it right for every Midlothian child
- ☒ Improving opportunities in Midlothian
- ☒ Sustainable growth
- ☐ Business transformation and Best Value
- ☐ None of the above

3.4 Key Priorities within the Single Midlothian Plan

Directly relates to improving positive destinations for adults and young people as well as developing the young workforce.

3.5 Impact on Performance and Outcomes

This work has a direct impact on positive destination for both adults and young people.

3.5 Adopting a Preventative Approach

The mitigation activities will support those both young people and adults at risk of a negative destination to secure a positive outcome

3.6 Involving Communities and Other Stakeholders

None currently, if some of the mitigation actions agreed then DYW would need to be informed due to funding implications.

3.7 Ensuring Equalities

An EQIA has not been completed as this report does not recommend a policy change. However as outlined in the risk section it is likely that the greatest impact will be felt by those in the target priority areas, who have complex needs and face the greatest inequalities due to the reduction in employability support available locally.

The report enables support to be offered to an additional 25 young people who are at risk of negative destinations; previous participants have been from protected characteristic groups for example those with care experience.

As the national changes will be developed over this forthcoming financial year it is important to influence the plans in order to take into account the needs of Midlothian residents and work to reduce the inequality gap through increased access to jobs/income, opportunities and qualifications. Retaining a contract delivery arm of the LLE service means we can rapidly respond to forthcoming opportunities and support those who are most vulnerable within Midlothian.

3.8 Supporting Sustainable Development

3.9 IT Issues

None

4 Summary

This report presents the current changes in devolved employability programmes, highlights the potential impact on equality groups due to the reduction in funding. In addition it indicates that there is a predicted over spend of £162,000 for 16/17 and the need to review income targets for 17/18.

5 Recommendations

Cabinet is recommended to:

- Note that the income target of £536,000 for LLE is projected to be unachievable in 16/17 due to the combination of the historic income targets and the reduction in employability fund contracts. LLE have a predicted overspend of £162,000 for 16/17. An income target review will take place as part of the development of the 17/18 budget; including the resolution of the predicted overspend in 16/17.
- Recognise the continued negative impact of funding and service reductions for those in equality groups.
- Note the funding and delivery of a paid trainee programme for 25 young people by realigning the DYW funding from the Further Education widening access programme to direct delivery of the trainee programme.
- Support the LLE service to undertake the mitigating actions to support those at risk of a negative destination and reduce the funding gap.
- Raise awareness of the associated issues through COSLA and other mechanisms.

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Appendix One

One Year Mitigation Table

Proposal Title	Description	Income	Recurring income or just for 16/17
DYW Mapping of Science Park Opportunities	Mapping of existing opportunities and key contacts within science park LLE deliver and dedicated existing member of staff to complete mapping.	£25,000	Only for 16/17 there may be additional DYW income for 16/17
Employability paid trainee programme funded through reprioritisation of widening access programme funded by DYW	Use funding to run a 12 week paid trainee programme for 25 young people	25 Participants Costs: Training Allowances – 25 x £55.00 x 12 Weeks = £16,500 Travel based on standard travel costs of £3.00 per day – 25 x £15.00 x 12 Weeks = £4,500 PPE Costs – 25 x £40.00 = £1,000 Material Cost– based on £120.00 per person x 25 = £3,000 £0	Only 16/17 no income generated but mitigates against negative destinations
Explore vocational school/workshop and target 8/10 young people who would normally wish to leave after 4 th year – funding follows young person	Explore vocational school workshop (similar to the Inverclyde Model) aimed at those who would leave school after 4 th year into a negative destination.	Target 8/10 yp Approx £3,200 x 8 = £25,600 through claiming allowance for staying on at school and the funding following the young person.	Pilot could be annual if successful
Run industry based courses for businesses or other providers Safety Construction Certificates, A1 SQA assessors training	Run within existing staff costs as staff are contracted to work occasional weekends and evenings	£5,000	Annual if successful

Increase vocational evening/day and weekend classes	Use existing staff to increase offer so no additional staffing costs	£433.50 per course (half full fee half concessions 12 people 8 week course £2,000 income target many will be concessions payment or could use ILAs	Annual if successful
ICT training and work with young people/adults training to other sectors within MC	ICT training and work with young people/adults training to other sectors within MC	£100 per person 20 people £2,000	Annual if successful
Vocational Training to Schools	Trade and industry related vocational opportunities for pupils during the school timetable.	£10,800	Annual if successful
Total One Year Mitigation		£70,400	