

WEST MERCIA YOUTH OFFENDING SERVICE



BUSINESS CASE FOR WMYOS HOSTING BY THE OFFICE OF THE POLICE AND CRIME COMMISSIONER

EXECUTIVE SUMMARY (Edit)

July 2015

1. Purpose of report

1.1 The purpose of this document is to provide the WMYOS Board with a business case and implementation plan for the Office of the Police and Crime Commissioner acting as the 'host' partner for WMYOS from April 2016.

1.2 If the Board are minded to proceed towards this arrangement, formal agreement will be subject to Local Authority Cabinet approvals in the autumn of 2015, and the equivalent formal decision-making process of Police, PCC, Probation and Health partners.

1.3 A formal decision to proceed will be followed by preparation of a detailed Joint agreement between the WMYOS Management Board and the Office of the Police and Crime Commissioner. This will address important details relating to governance, oversight, HR, finance and legal requirements.

1.4 The Board have specified that the business case should address:

- (i) How the legislative and statutory requirements placed on all partners for the provision of youth justice services will be fully addressed.
- (ii) How the hosting arrangement will secure the organisational culture change and business transformation required by partners.
- (iii) Implications for employment arrangements for WMYOS staff.

1.5 Sources of information for this report include:

- Liaison with the Chief Executive and Head of Business Area (Midlands) of the Youth Justice Board for England and Wales
- Liaison with senior technical leads representing the Police and Office of the PCC (Legal; Finance; ICT; HR; Commissioning; Pensions)
- Liaison with HR and Legal representatives from the Local Authorities
- Liaison with WMYOS Management Board
- Engagement sessions with WMYOS staff
- Where relevant, work previously undertaken on the WMYOS options appraisal. This includes liaison with the pension fund actuary Mercers

2. Rationale

2.1 The proposed hosting arrangement with the Office of the Police and Crime Commissioner has strong potential to create optimum conditions for achieving the drivers for change set out in the initial options appraisal. Potential benefits include:

- The model will enable the West Mercia YOS partnership to be maintained on a co-terminus basis with related criminal justice and public services. This maximises the impact of combined resources and presents opportunities for shared systems and processes.
- There is a strong strategic fit, with the Office of the Police and Crime Commissioner sharing responsibility with the WMYOS for reducing re-offending, preventing crime and disorder and supporting victims. This is reflected in the Police and Crime Plan and Local Youth Justice Plan.
- The Office of the Police and Crime Commissioner shares wider linkage with local safeguarding and community safety arrangements

- The Office of the Police and Crime Commissioner and West Mercia Police can offer business support capacity with the economies of scale presented by a large organisation. This will include HR and finance input and will build on recent implementation of a single ICT systems framework for WMYOS, hosted by the Police.

2.2 Key areas addressed within the full report include:

- How the full statutory requirements placed on all partners will be fully addressed within this arrangement.
- How a formal joint agreement coupled with a clear service specification, will enable strong governance and oversight of WMYOS delivery.
- How this model will secure the required cultural and organisational transformation required by the Board.
- What the proposed employment arrangements would be in the event of a transfer of staff under TUPE arrangements.
- How potentially reducing local and national resources will be maximised through this arrangement.
- How the culture and ethos of WMYOS, including a clear focus on wider outcomes for children and young people will be supported within a hosting arrangement

3. Key Features of A Hosting Arrangement

3.1 The main elements of the proposed hosting arrangement are summarised below. These points will form the basis of a joint agreement between the WMYOS Management Board and the Office of the Police and Crime Commissioner:

- The four Local Authority partners will retain **full statutory responsibility** for the provision of Youth Justice services, with the associated duty to cooperate placed on all partners as set out in the Crime & Disorder Act 1998 and related legislation. Within this context there will be no delegation or diluting of statutory responsibilities.
- The WMYOS Management Board will enter into a **formal joint agreement** with the Office of the Police and Crime Commissioner. Delivery and service transformation, with a clear emphasis on securing the best possible outcomes for children, young people and the victims of crime will be performance managed against an outcomes-based service specification. This will fully reflect all statutory requirements, Youth Justice Board national standards and case management guidance.
- The WMYOS Management Board, incorporating the Local Authority partners, and with representation from the Youth Justice Board, will maintain **robust governance and oversight** of WMYOS delivery.
- The WMYOS Management Board will retain responsibility for producing the Local **Annual Youth Justice Plan** and for securing the resources required for delivery. This will include partnership negotiations on contribution levels and agreement on how to respond to changes in local and national funding arrangements.
- WMYOS staff who are currently employed by the Local Authority partners will **transfer under TUPE** into the employment of the Office of the Police and Crime Commissioner. Following TUPE transfer, the outcomes of a review of the operational delivery model for WMYOS may form the basis of an economic, technical or organisational case entailing changes to the workforce which may give rise to changes to terms and conditions.

- The deployment of other partner agency staff will continue to be applied as in the current model. This will include the **secondment and funding arrangements for Police, Probation and other specialist staff**.
- An **integrated WMYOS ICT and email framework** hosted by West Mercia Police is already in place and will minimise disruption to service delivery at point of transition.
- **Other business support functions** will transfer to the Office of the Police and Crime Commissioner and West Mercia Police.
- In the first instance the service will transfer to the Office of the Police and Crime Commissioner on the basis of the existing **WMYOS organisational structure and operating model**. A detailed analysis of demand and workflow with a focus on improving efficiency, quality and impact will be undertaken during the implementation phase (Oct 15 to March 16). This will form the basis of proposals for consultation with staff following implementation of the hosting arrangement in April 2016. It is anticipated that proposals for reshaping WMYOS will reflect significant resource and funding pressures going forward from 2016/17.

4. Joint Agreement

- 4.1 The details of the hosting arrangement will be set out in a formal joint agreement between the WMYOS Management Board and the Office of the Police and Crime Commissioner.
- 4.2 This will form the basis of a contract between the two parties with the principal aim of securing an effective and sustainable Youth Offending Service in West Mercia. The main outcomes specified in the joint agreement will be:
- Preventing offending by children and young people
 - Reducing youth crime and the fear of crime
 - Reducing the impact of crime on victims and local communities
- 4.3 An outcomes-based service specification for the full range of WMYOS provision will be included within the joint agreement. This will emphasise the values and ethos of the service, with an emphasis on prevention and securing strong links with children and young people's services at a local level.
- 4.4 The joint agreement will reflect **Procurement Contract Regulations** 2015 (sec 12) which allow for exemption from open procurement where it can be shown that public bodies are working together to deliver public services on a non profit-making basis.
- 4.5 Some key responsibilities of the WMYOS Management Board within this arrangement will include:
- (i) Securing the Annual Youth Justice Plan and ensuring that multi-agency resources are in place to deliver agreed priorities. This will include ensuring a collaborative approach to the management of resources and resource pressures, and brokering agreement on how changes or reductions in funding are managed on a shared basis by the WMYOS partnership.
 - (ii) Securing a robust delivery model for YOS provision (through the proposed hosting arrangement) as set out in a formal agreement with the Office of the Police and Crime Commissioner against an agreed outcomes-based service specification.
 - (iii) Performance oversight of WMYOS service delivery outcomes. This will include individual Board members taking a 'champion' role in relation to specific areas of WMYOS delivery, organisational and culture change.

4.6 Key responsibilities for the Office of the Police and Crime Commissioner within this arrangement will include:

- (i) Day to day oversight of the delivery, culture change and business transformation of WMYOS provision on behalf of the WMYOS Management Board. This will include significant organisational change during year 1 (2016/17).
- (ii) Provision of employment arrangements and business support functions for WMYOS, in-line with funding arrangements to be agreed with the WMYOS Management Board.
- (iii) Securing robust performance management and quality arrangements for WMYOS with a clear line of accountability and reporting to the WMYOS Management Board.

5. Legal basis

5.1 A PCC hosting arrangement for WMYOS will be an innovative development and the first time that an Office of the Police and Crime Commissioner has taken this lead role within a YOT environment. Local arrangements will be required to clearly demonstrate compliance with the key legal and statutory requirements relating to the Office of the Police and Crime Commissioner and to the provision of Youth Justice services.

5.2 Legal representatives of the Local Authorities, Police and Office of the Police and Crime Commissioner, in discussion with the Youth Justice Board for England and Wales have reviewed compliance of the proposed hosting arrangement with the relevant legislative framework and are of the view that all statutory requirements can be fully met. Furthermore, it is believed that the synergies created by this approach will strengthen the capacity of the WMYOS partnership and the Office of the Police and Crime Commissioner to achieve their respective strategic priorities and to secure better value and improved outcomes for local communities.

6. Staffing

6.1 It is proposed that the 68 Local Authority employees will transfer into the employment of the Office of the Police and Crime Commissioner on the agreed implementation date. All staff will transfer over in the first instance with their current terms and conditions. These will include qualified social workers registered with the Health and Care Professions Council.

6.2 The Office of the Police and Crime Commissioner is an admitted body of the Local Government Pension Scheme (LGPS) and a member of the Worcestershire Pension Fund. As such, WMYOS employees of Worcestershire and Herefordshire Councils will experience minimal change in pension arrangements. Telford and Wrekin employees will be given the option to transfer in from the Shropshire Pension Fund.

6.3 It is anticipated that staff working within WMYOS on a secondment basis from WMYOS partner agencies will continue to be deployed in the WMYOS on a similar basis within the proposed hosting arrangement.

7. Resources

7.1 An indicative three-year financial forecast has been prepared for this business case. This is included overleaf – with a fuller analysis included within the main report. This is an indicative forecast for illustrative purposes only and will need to be agreed in detail as part of the preparation of the joint agreement prior to implementation. The indicative forecast includes analysis of current funding contributions from partners (including consideration of ‘hidden costs’) and of how available resources are currently utilised within the service. Forecasting has taken account of data on workflow and

demand for WMYOS provision, to identify trends as an indicator of anticipated future levels of demand.

- 7.2 The indicative forecast anticipates significant resource and funding pressures progressively impacting on WMYOS over the three year period from 2016/17. There is potential for a sustainable model subject to efficiencies being achieved year on year through service redesign and the introduction of more efficient working practices.
- 7.3 The joint agreement will set out how the WMYOS Management Board will collaborate on key decisions in the event of a shortfall in resources or reductions in partner contributions.
- 7.4 Resources to support organisational change are identified as a separate transition cost area to be met from WMYOS partnership reserves.

Indicative Financial Forecast

Budget Description	Transition Costs:			
	Oct '15 - March '16	Year 1	Year 2	Year 3
	£	£	£	£
INCOME				
Total Partner income		2,231,234	2,231,234	2,231,234
Total YJB income		1,495,153	1,493,153	1,493,153
Total PCC Income		180,293	180,293	180,293
Reserves funding: transition costs	57,000			
TOTAL INCOME	57,000	3,906,680	3,904,680	3,904,680
EXPENDITURE				
Core Service Delivery	0	2,953,921	2,772,162	2,772,162
Leadership & Management	0	322,830	299,422	299,422
Back office/Support Functions	57,000	208,086	197,682	197,682
Overheads/Infrastructure	0	463,842	440,650	440,650
TOTAL EXPENDITURE	57,000	3,948,679	3,709,915	3,709,915
SAVINGS				
Pay savings		(120,621)	0	0
Non-Pay savings		50,000	0	0
TOTAL SAVINGS	0	(70,621)	0	0
Savings as % of total expenditure		-3.1%	0.0%	0.0%
Annual Surplus / (Deficit)	0	28,622	194,765	194,765
Retained Profit or (Loss)	0	28,622	223,386	418,151

8. Implementation

- 8.1 The proposed timeline for implementation is predicated on formal approval being secured from Council Cabinets by end October 2015. This approval will initiate implementation activity with a view to the new arrangements being in place and **fully functioning from April 2016**. Experience suggests that this is an achievable timeframe, subject to sufficient preparatory work having been undertaken in the period up to end September 2015. This will include:

- Progressing the Business Case through each Local Authority to ensure thorough legal, financial and technical scrutiny has been applied prior to formal consideration by Council Cabinets
- Engagement of Lead Members and Chief Executives / MD
- Preparation and submission of reports to Council Cabinets
- Agreement on programme management arrangements, what capacity is required and how this will be funded from September 2016.
- Continuing engagement with WMYOS staff and Trade Unions

8.2 The table below provides an overview of the pathway towards full implementation following Cabinet approval.

	Key Milestones 2015/16	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
1	Formal Cabinet approval secured	■	■						
2	Programme management arrangements in place		■						
3	Joint agreement established between WMYOS Management Board & PCC			■					
4	Review of WMYOS operational model to inform forward planning			■	■				
5	SLA's agreed for business support services					■			
6	Complete TUPE transfer of staff by 31.3.15							■	
7	Commencement of hosting arrangement								■

8.3 Project management of implementation will comprise of the following inter-dependent workstreams:

Delivery

- Review of WMYOS operational model and proposals for reshaping
- Business support arrangements

Legal & Commercial

- Completion of joint agreement (including governance arrangements)
- Finalise service specification

Staff & Stakeholders

- Engagement and consultation with staff and Trade Unions
- Stakeholder and partnership engagement

Resources

- Robust financial planning and budget-setting
- Pension fund arrangements

8.4 An early decision will be required from the Board on how capacity and leadership arrangements will be secured for programme management. Indicative costs have been included in the budget forecast.

WMYOS Hosting by the Office of the Police and Crime Commissioner - Risk Register – (Updated July 2015)

Risk Area	Key Risks	Impact	Likelihood	Current Mitigation	Risk Level & Owner	
Governance & Oversight	1.1	Governance arrangements are not fit for purpose – adverse impact on oversight and accountability	High	Medium	Governance and oversight arrangements to be set out in formal joint agreement followed by regular review	Initials
	1.2	Board oversight of performance and quality is weak	High	Medium	Performance scorecard model for each level of governance and oversight to be agreed for high level overview & challenge (set out in Service Spec)	
	1.3	Communication between Board and staff is poor, impacting on culture and effectiveness	High	Medium	Priority for implementation plan – building on high level of staff engagement throughout the development process	
	1.4	Management oversight of frontline practice is weak	High	Medium	Performance management, quality framework and supervision models to be agreed prior to implementation (Ref: Joint Agreement and Service Spec)	
Finance & Resources	2.1	Insufficient resources secured to deliver priorities	High	Medium	WMYOS Management Board will work closely with Office of the PCC to anticipate and manage demand on a collaborative basis	
	2.2	Demand for services exceeds capacity to deliver	High	Medium	As in 2.1 above	
	2.3	Expenditure exceeds income for sustained period	High	Medium	Financial reporting to be incorporated in joint agreement to ensure consistent reporting and collaboration on cost pressures	
	2.4	TUPE transfer arrangements lead to employee challenges	High	Medium	Clear ETO reasons will be evidenced for any changes to terms and conditions following service review post-TUPE	
Service Delivery	3.1	Quality of service delivery is poor, with adverse reputational impact	High	Low	Quality framework and reporting arrangements to be agreed pre-implementation (Ref: Joint Agreement and Service Spec)	
	3.2	Staff turnover has adverse impact on quality and capacity of delivery to clients	Medium	High	Reporting arrangements to include workforce monitoring	
	3.3	Deterioration in performance against terms set out in the joint agreement	High	Medium	Oversight as in 1.2 above. Any deterioration in performance will be swiftly picked up and addressed with WMYOS Management Board	
	3.4	Alignment and integration with local partner agency services is weak	High	Medium	Contract arrangements with each WMYOS partner to identify how alignment will be differentiated to meet local requirements	

Current Assessment of Overall Risk	
1	Remains High risk – taking account of all mitigating action taken
2	Medium risk – assuming mitigating action is implemented
3	Low risk – assuming mitigating action is implemented
