

North Lanarkshire Council Report

Enterprise and Growth Committee

Agenda item _____ approval noting Ref GS/PK/KS Date 03.01.19

Routes to Work Ltd: 2018/19 Q1 & Q2 Operational Performance and Financial Performance as at 30 September 2018

From Katrina Hassell, Head of Business Solutions

Email hassellk@northlan.gov.uk

Telephone 01698 302248

Executive Summary

This report outlines Routes to Work Ltd's (RtW) performance against its' charitable objectives and Council priorities for Q1 and Q2 of 2018/19, as well as financial performance as at 30 September 2018. This report also provides commentary in respect of the charity's governance arrangements to provide assurance that Council obligations are being satisfied.

Recommendations

Members are asked to:

1. Note RtW's operational performance for Q1 and Q2 of 2018/19, along with wider achievements during that period;
2. Note RtW's financial performance as at 30 September 2018;
3. Identify areas of activity for further detailed reporting and consideration at future meetings of the Enterprise and Growth Committee.

Links

Council Plan	RtW principally supports employability actions within the <i>'Improving Economic Opportunities and Outcomes'</i> priority
Appendix 1	Employability Programmes and Duration of Funding Periods
Appendix 2	Q1 and Q2 2018/19 Performance Indicators and Targets
Appendix 3	Financial Performance as at 30 September 2018
Appendix 4	Balance Sheet as at 30 September 2018
Appendix 5	RtW Cash Flow Forecast to March 2019

1. Background

- 1.1 RtW was originally established by North Lanarkshire Council (NLC) and Scottish Enterprise Lanarkshire (SEL) in October 2002 as a company limited by guarantee with charitable status. Since then ownership has altered with NLC now being sole member.
 - 1.2 RtW's charitable aims are:
 - To relieve poverty;
 - To advance education, particularly among the unemployed;
 - To promote training in skills of all kinds, particularly such skills as will assist in obtaining paid employment;
 - To relieve unemployment for the public benefit, in such ways as may be thought fit, including assistance to find employment; and,
 - To promote, operate and/or support other projects and initiatives which further similar charitable purposes.
 - 1.3 RtW provides a range of free employability services to North Lanarkshire residents, including European Union funded employability programmes on behalf of North Lanarkshire Council. In January 2017 the company amended its Memorandum and Articles of Association to extend its area of operation into other local authority areas thereby enabling RtW to bid to deliver national employability programmes in these areas. This is intended to support the long term sustainability of RtW.
 - 1.4 Routes to Work's Board of Directors consists of up to ten members – two are Category A members appointed by North Lanarkshire Council (one is an elected member and one is a senior Council officer) and up to eight Category B directors, who bring specialist expertise to the company and are selected through a formal nominations procedure. The Board currently has 6 independent directors with interests and/or experience in local community development and engagement, lifelong learning and skills, business development and support, HR and Law.
 - 1.5 The Board of Directors has responsibility for ensuring that RtW's services are delivered in accordance with approved Service Level Agreements and charitable objectives, and meets quarterly to fulfil these duties.
 - 1.6 The former ALEOs and External Bodies' Monitoring Committee agreed in May 2016 that RtW's performance would be subject to six monthly monitoring.
-

2. Report

Performance Indicators

- 2.1 The performance reporting framework is aligned to the Council's key priorities, and the core services that the company delivers on behalf of the Council are subject to an annual service level agreement, which outlines the maximum level of funding available as well as targets to be achieved in the coming year. The 2018/19 service level agreement was approved by the Education Committee on 15 May 2018.
- 2.2 Appendix 1 provides members with details of the employability programmes currently being delivered by Routes to Work and illustrates, by use of a timeline, the duration of funding agreements that are in place.
- 2.3 Appendix 2 demonstrates performance in each of these programmes for Q1 and Q2 of 2018/19.

ALEO Review

- 2.4 RtW are included in phase 3 of the ALEO Review programme. The review commenced in September 2018 and is due to be completed by August 2019. A workshop was held with the Board of Directors in October 2018 to give Directors the opportunity to contribute to the review process by outlining their vision and ambitions for the organisation, as well as identifying any issues or concerns they may have as Directors on the Board. Wider stakeholder engagement is currently in progress.

Comments, Compliments and Complaints

- 2.5 One complaint was received during Q1 and Q2. This was from a Working Matters customer regarding the support she received. The complaint was fully investigated and was partially upheld.
- 2.6 On a more positive note, one compliment was also received from a Lecturer of the Faculty of Supported Learning at New College Lanarkshire, who was very pleased with the positive inputs of RtW's Community Engagement Worker. She commented on the worker engaging well with the student body providing an open, honest and friendly welcome to any students looking to engage with RtW and offering positive support and a real sense of drive and motivation to the College's students.

Service Delivery Highlights

- 2.7 European Social Fund (ESF) Programme achievements:
- After a very challenging start to the operational year, RtW have overachieved on the ESF programmes at the 6 month point. This is particularly important given the introduction of the new Fairstart Scotland employability programme in April 2018. The combination of the Youth Employment Initiative and Pipeline programme meant that over 600 individual North Lanarkshire residents made improvements to their lives in those 6 months, ahead of profile and at a crucial time.
- 2.8 Working Matters achievements:
- This employability programme is delivered in 8 local Authority areas in Scotland. North Lanarkshire is the only Local Authority to have significantly exceeded performance on all measures on this programme and by some substantial margin.
- 2.9 Work Able Scotland achievements:
- The Scottish Government published performance information on the Work Able Scotland devolved employment support programme on 28th November 2018 which outlined national performance of Work Able Scotland. The release demonstrated that although RtW's performance did not reach internal targets as outlined in Appendix 2, their performance compared well above the national figures. In particular:
 - o RtW's conversion rate was 28.4% against the overall Scotland conversion rate of 14.7%, almost double.
 - o RtW achieved 18.5% 6-week outcomes and 9.9% 26 week outcome rates (from starts) against Scottish figures of 11.4% & 4.3% respectively
 - o RtW achieved 50% of the original volume target for 6 week outcomes & 42% of their 26 week outcome targets – this against 33% & 20% respectively across Scotland.
 - o From a 7.4% share of Scottish starts, RtW have to date provided 12% of all 6 week outcomes and 17% (or nearly one in six) of 26 week outcomes nationally, demonstrating where the company is making an impact on national performance outcomes.

- 2.10 Client progression:
- RtW developed and introduced a new client progression framework which was rolled out across the organisation on all programmes in this period. This enables RtW to demonstrate wider outcomes for clients and their journey towards work.
- 2.11 SQA developments:
- In line with their business plan, RtW have succeeded in gaining approval to deliver the Health & Safety in a Construction Environment Qualification. This closer integrates the skills and employability provision in North Lanarkshire.
- 2.12 Specialist Employability Services:
- RtW began delivering services under a specialist model. Residents who have barriers relating to homelessness / housing issues, criminal convictions or severe and enduring health conditions are being case managed by specialist staff. This delivery model ensures that those who are furthest away and marginalised are being included in services that otherwise they would not access and benefit from.
- 2.13 Business Plan:
- RtW developed the new 2018-2021 Business Plan in the period. This was carried out with extensive consultation and dove tailing with the priorities of North Lanarkshire Council and will ensure continued improved economic outcomes for households across North Lanarkshire.
- 2.14 Craigneuk Office:
- In early August, RtW launched their new Employability Delivery Hub based in the former Craigneuk Library. The new Centre houses a range of employability and partner support and access to IT facilities for clients.

Strategic Issues or Constraints

- 2.15 The Fairness Commission for North Lanarkshire has made a number of recommendations, including a recommendation that a review of employability services in North Lanarkshire be undertaken in 2019. Routes to Work Ltd is in scope and the company has confirmed that it looks forward to supporting, contributing and participating in the review.
-

3. Equality and Diversity

3.1 Fairer Scotland

RtW developed a monitoring template to capture equality and diversity information required under their Freedom of Information (Scotland) Act 2002 – FOISA obligations. In April 2018, using the template, they undertook a monitoring exercise with members of the Board. The information collated will be used to inform future board recruitment. A similar exercise for all RtW staff was carried out in September 2018 and was discussed by Directors in November 2018, with no current action required.

3.2 Equality Impact Assessment

There is no requirement for an Equality Impact Assessment at this time.

4. Implications

4.1 Financial Impact

Public Accountability Obligations – Financial year 2018/19

- 4.1.1 To satisfy the Council's duty to ensure the organisation delivering employment and training services on its behalf is financially sound, the Council's Section 95 Officer maintains appropriate and proportionate processes and procedures for scrutinising Routes to Work's financial performance.
- 4.1.2 The Council's Legal Agreements with Routes to Work specify the financial information which must be submitted to the Council including an annual business plan, quarterly management accounts, audited financial statements etc., to enable Financial Solutions to assess and report any financial risk likely to arise as a result of the Council using Routes to Work to deliver these services.
- 4.1.3 The Council expends revenue resources annually with Routes to Work to deliver services which assist the Council in achieving its priority outcomes. For financial year 2018-19, the Council approved revenue spend equating to £2.982m and therefore has a duty to ensure this money is being properly used to deliver both the Council's and Routes to Work objectives.
- 4.1.4 Members will wish to note the Council's 2018-19 contributions represent 92% of the organisation's budgeted income of £3.253m, with the balance of income of £0.271m being primarily generated through other trading activities, as outlined within Appendix 3.

Current Year Financial Performance to 30 September 2018

- 4.1.5 Based on the financial statements to 30 September, Routes to Work is projecting a year end operational surplus of £0.028m, which is an over recovery of £0.006m. Income is projected to be £0.112m under budget, this is due to a reduction in the European Social Fund (ESF) of £0.047m, Single Work Programme income of £0.020m, City Deal £0.003m, SDS Employability fund of £0.011m, Routes to Work generation of £0.030m and bank interest of £0.001m. This is more than offset by a reduction in projected expenditure against budget of £0.118m. Further details are provided at Appendix 3.

Overall Financial Standing – Balance Sheet as at 30 September 2018

- 4.1.6 Appendix 4 provides key balances to give members an update on the overall financial standing of the company, as at 30 September, along with the comparator figures as at 31 March 2018. Key balances and indicators worthy of specific note include:
 - a) The ratio of current asset to current liabilities is 2.15:1, which is a measure of whether a company has enough resources to pay its debts at this point in time. Values less than 1 indicate a company may have difficulty meeting current obligations. Therefore Members should be assured the company has positive liquidity.
 - b) Unrestricted funds of £0.662m fall short by £0.038m against the desired reserves position of £0.700m, and £0.051m against the estimated costs

should the company require to be wound-up. Financial solutions have requested that the actions required by RTW to hold reserves at the desired level and the consequences of unrestricted reserves falling short of the estimated costs that may be incurred on wind-up be presented in future reports to the Board.

Cash Flow Forecast to March 2019

4.1.7 A cash flow forecast to March 2019 is provided at Appendix 5. This projects a cash balance high in £1.205m in November 2018 and a balance of £0.476m at March 2019. The forecast includes the ESF income of £0.612m received.

4.2 HR/Policy/Legislative Impact

4.2.1 There are no Human Resource (HR) implications arising from this report.

4.3 Environmental Impact

4.3.1 There are no environmental impacts arising from this report.

4.4 Risk Impact

4.4.1 Towards the end of 2017, RtW's risk management arrangements were upgraded from "Developing" to "Established", following significant work by charity to enhance their risk framework and associated monitoring and reporting arrangements.

4.4.2 The Governance sub-group of the Board of Directors continues to undertake an annual governance risk assessment with additional checks on operational risks reviewed at the monthly operational plan meetings. Any financial risks are also reviewed monthly by the Finance sub-group of the Board.

5. Measures of Success

5.1 These reports are intended to give Members an insight into where Routes to Work is supporting delivery or adding value to the Council's priorities.

5.2 A key measure of RtW's success is the number of job entries secured for key programmes and the level of sustainment (how many job entries are still in employment after a defined period of time). Overall, RtW's performance in this reporting period has meant that a total of over 650 individual North Lanarkshire residents and their families have benefited from moving into sustainable work in this first 6 month period of this operational year. This ensures improved economic outcomes for households across North Lanarkshire.



Katrina Hassell
Head of Business Solutions

Routes to Work – Employability Programmes and Duration of Funding Periods

Employability Programme	Target Group	Current Funding Period					Service Level Agreement
		15/16	16/17	17/18	18/19	19/20	
Single Work Programme (Department of Work & Pensions)	Long term unemployed or those most at risk of becoming long term. <ul style="list-style-type: none"> • JSA 18-24 yrs. • JSA 25+ • Prison Leavers • ESA 18+ 						Sub contracted by the Council from Working Links with referrals to the programme ending in March 2017. However, those referred before March 2017 remain supported by the programme until March 2019 and beyond.
Working Matters (Glasgow City Region City Deal)	Unemployed in receipt of ESA (Employment Support Allowance) having completed 2 years of the Work Programme						Service Level Agreement in place (end date of programme extended from August 2018 to March 2019).
North Lanarkshire's Working Employability Pipeline (European Social Fund)	Unemployed aged ≥ 30 with multiple barriers to securing employment						Service Level Agreement in place. Negotiations are underway between the Council and the Scottish Government to extend the period of EU funds until December 2022.
North Lanarkshire Youth Employment Initiative (European Social Fund)	Unemployed 16-29 with or without barriers						Service Level Agreement in place (end date of programme extended from March 2018 to September 2018).
Employability Fund (Skills Development Scotland)	Unemployed or at risk of redundancy requiring training to secure employment						Annual contract between RtW and Skills Development Scotland (SDS). SDS have intimated that they intend to extend the contract for 19/20 to current suppliers.
Work Able Scotland (WAS)	>18 years and not in employment, recipients of ESA or Universal Credit equivalent and assessed as capable of progressing into work within a 12 month period						Sub-contractor to Wise Group led service across Glasgow, Lanarkshire & East Dunbartonshire. RtW covers North Lanarkshire. Referrals ceased in March 2018 and residual service thereafter.
Skills Academy	Young people of school age (S3 & S4)						Service Level agreement was in place until July 2018. There has been no renewal of this as yet.

Routes to Work – Q1 and Q2 2018/19 Performance

Employability Programme	Indicator	Target Outcome/ Purpose	2017-18 Outcome	2018-19 Target	Q1 & Q2 Target	Q1 & Q2 Actual	Blue Red Amber Green	Comments
Single Work Programme (Department of Work & Pensions)	The number of job entries	Job entries secured	51	21	15	16	B	The contract is in the last year of delivery and has not had any new referrals for over a year, therefore is treated as a legacy programme and this is reflected in the significantly lower targets for 2018/19. There are no longer any job outcome targets. The programme is in final winding down phase and caseload is minimal.
	Job Outcomes (sustained in work at 13/26 weeks)	In work 13/26 weeks after securing employment	74	15	N/A	15	G	
Working Matters (Glasgow City Region City Deal)	Job Entry (3 year target is 69)	Job entries secured	48	22	11	20	B	The Working Matters programme was scheduled to end in August 2018 but it was agreed by the City Deal Cabinet that it will be extended to March 2019. Referrals ceased on 31 March 2018 and so the 2018/19 target reflects ongoing work with clients who had been registered before cessation of the new referrals. Routes to Work's delivery of results within this contract remains the highest of all City Deal member authorities.
North Lanarkshire's Working Employability Pipeline (European Social Fund)	The number of job entries.	Job entries secured	621	921	390	511	B	This is the third full year of the Prospects for You programme. The increased target figure (921) also incorporates the transition from the Prospects for Youth programme from October 2018 onwards (see below).
	Sustainment in employment	In work 26 weeks after starting employment	70%	70%	70%	71%	G	

Employability Programme	Indicator	Target Outcome/ Purpose	2017-18 Outcome	2018-19 Target	Q1 & Q2 Target	Q1 & Q2 Actual	Blue Red Amber Green	Comments
North Lanarkshire Youth Employment Initiative (European Social Fund)	The number of job entries.	Job entries secured	574	207	207	101	R	The Prospects for Youth programme, aimed at 16–29 year olds, ended in September 2018. From October 2018 the provision for this age group was integrated into the Prospects for You Programme (above), which is now an all age programme. Clients of YEI transitioned over to Pipeline over Q1 & Q2 hence why the performance is captured under Pipeline and over both programmes, performance is above target.
	Sustainment in employment	In work 26 weeks after starting employment	67%	70%	70%	67%	R	
Employability Fund (Skills Development Scotland)	Starts	Engaged on programme	78	97	41	32	R	The target was increased in 2018/19 as additional volumes were awarded on the contract due to previous good performance results. There were also 2 additional areas added to the contract which have been very slow to start. The full rollout of Universal Credit has also had an impact on Q1&Q2 performance. Performance has improved in Q3 and it is anticipated that RtW will achieve the Starts target by year end.
	Qualifications	Accredited qualification	52	61	32	17	R	
	Job Starts	Entered employment – 4 weeks	58	62	30	20	R	
	Sustainment	Sustained in work at 26 weeks	35	48	17	13	R	
Work Able Scotland (WAS)	Job Entry	Job entries secured at 6 weeks	9	17	10	4	R	Work Able Scotland stopped receiving referrals/starts onto the programme on 9 March 2018. The 18/19 target was reduced and reflects ongoing work with clients already engaged on the programme.
	Sustainment	In work 26 weeks after starting employment	70%	70%	70%	55%	R	

Employability Programme	Indicator	Target Outcome/ Purpose	2017-18 Outcome	2018-19 Target	Q1 & Q2 Target	Q1 & Q2 Actual	Blue Red Amber Green	Comments
Skills Academy	Number of routeways provided to support with employability		N/A	3	1	1	G	Target is for one sector based routeway to be delivered to young people per term (October – December / January – March / April – June). Service Level agreement was in place until July 2018. There has been no renewal of this as yet.

Key: -

B - Blue (above threshold) $\geq 5\%$ of target

G - Green (within threshold and on target) = to or + 5% of target

A - Amber (within threshold but below target)

R - Red (below threshold) $\leq 5\%$ of target

Routes to Work Limited

Financial Performance as at 30 September 2018

Income & expenditure	2018/19 Annual Budget £'000	2018/19 Year to date			2018/19 Projected Outturn £'000	2018/19 Variance £m	Commentary
		Budget £	Actual £	Variance £			
Income from NLC	2,982	1,472	1,427	(45)	2,912	(70)	NLC SLA and service payments and management fee (ESF, City Deal, Single Works Programme)
Other trading activities	175	83	47	(36)	164	(11)	SDS Employability Fund and Skills Academy
Investments & other income	96	48	29	(19)	65	(31)	
Total Incoming Resources	3,253	1,603	1,503	(100)	3,141	(112)	
Expenditure: Charitable Activities	(3,231)	(1,612)	(1,547)	65	(3,113)	118	Projected underspend largely matched by projected reduction in income on full cost recovery projects in conjunction with a small amount of staff efficiency savngs
Total Resources Expended	(3,231)	(1,612)	(1,547)	65	(3,113)	118	
Operational surplus / (deficit)	22	(9)	(44)	(35)	28	6	

Routes to Work Limited

Overall Financial Standing - Balance Sheet as at 30 September 2018

Balances/ Indicator	30-Sep-18	31-Mar-18	Commentary
	£	£	
Fixed Assets	16,826	22,051	Office equipment, computer hardware and software
Current Assets:			
Trade Debtors	749,562	439,711	Quarter 2 invoices for ESF, Single Work Programme, Route to Work and City Deal
Prepayments	6,926	8,645	
Bank / Cash	894,155	510,433	
Short Term Investments	75,000	150,000	12 month term investment
	1,725,643	1,108,789	
Current Liabilities:			
Trade Creditors	(629,500)	0	Advance funding received in November 18 for ESF YEI and Pipeline
Other Creditors inc. VAT & other taxes	(174,700)	(148,235)	PAYE/NI to HMRC, accrued Purchases
	(804,200)	(148,235)	
Net Asset / (Liabilities)	938,269	982,605	
Financed by Reserves:-			
Designated Reserves	354,000	354,000	Pension reserve -£254k, ICT Infrastructure reserve £25k, Future Developments £75k
Unrestricted funds	661,778	696,871	
Restructured Funds	(77,509)	(68,266)	Project expenditure
Total Reserves	938,269	982,605	

