

**TITLE OF REPORT - GRANT AWARD ACCEPTANCE & SPEND APPROVAL
FOR DEPARTMENT FOR WORK AND PENSIONS - KICKSTART SCHEME**

SPECIAL URGENCY REPORT

**CABINET MEETING DATE
(2020/21)**

22 February 2021

CLASSIFICATION:

Open

**If exempt, the reason will be listed in the
main body of this report.**

WARD(S) AFFECTED

All

CABINET MEMBER

Cllr Carole Williams

KEY DECISION

Yes

REASON

Affects two or more wards
Spending/or saving

GROUP DIRECTOR

Tim Shields

1. CABINET MEMBER'S INTRODUCTION

- 1.1. Key mayoral priorities to tackle inequalities and deliver job opportunities are critical in ensuring Hackney is a place that works for everyone. Hackney has a track record of delivering high quality employment support and employment pathways stemming from this mayoral priority, including our multi award-winning apprenticeship programme established in 2016, as well as Hackney 100, the council's paid work placement.
- 1.2. The announcement of the government's Kickstart Scheme to fund six-month work placements for 16-24 year olds in receipt of Universal Credit, provided the Council an opportunity to create significantly more work placements for unemployed young people in the borough, and to build on the success of existing Council employment programmes.
- 1.3. The Council's involvement in the Kickstart Scheme will build on our successes, and create quality employment opportunities with meaningful progression routes at a time of significant change and difficulty across the labour market as a result of the Coronavirus pandemic and Brexit.
- 1.4. Figures show that young people have been particularly impacted. Data published by the Office for National Statistics show that unemployment rates rose to 5% in the three months to the end of November – representing more than 1.7 million people – from 4.9% in the three months to the end of October, reaching the highest level since August 2016. Job losses were most heavily concentrated among younger workers, and in the retail and hospitality sector¹. One study by the LSE shows that more than one in 10 people aged 16-25 have lost their job, and just under six in 10 have seen their earnings fall since the coronavirus pandemic began². According to data published by the Department for Work and Pensions (DWP) in August 2020, 4,826 16-24 yr olds in Hackney were claiming Universal Credit.
- 1.5. On 11 November the Council submitted a Kickstart funding application DWP. The proposal is that the Council leads by example in creating placements for key priority groups including care leavers and young people with disabilities with 47 placements hosted at the Council, and a further 370 placements hosted with local employers with the Council acting as a 'Gateway' organisation. The approach taken will ensure all placements meet a minimum quality standard in terms of wraparound support, progression routes into jobs and apprenticeships, and fair pay.

1

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/january2021>

2

<https://www.lse.ac.uk/News/Latest-news-from-LSE/2020/j-October-20/One-in-10-young-people-lost-their-job-during-covid-19-pandemic>

1.6. The terms of the scheme only require employers to pay National Minimum Wage (NMW), £4.55-£8.20 depending on age³, and DWP Kickstart funding will only reimburse the Council and employers at the NMW level of £4.55-£8.20 per hour depending on age. The Council's Kickstart placements will pay above the required rate and above the level of funding received from DWP. This will ensure that all participants will receive a minimum of £8.72 per hour regardless of age, in line with our Hackney 100 work placement scheme, with a focus placed on developing progression routes into London Living Wage jobs and apprenticeships. The Council will also strongly encourage employers operating through its 'gateway' to match this wage level, and will require partner employers to work with the Council to develop progression routes for participants.

2. GROUP DIRECTOR'S INTRODUCTION

2.1. This report sets out the details of the DWP Kickstart Scheme, and the Council's approved bid to act as a gateway organisation for the Kickstart scheme, pooling placements from across LBH teams, the wider public sector, as well as private sector employers.

2.2. The Council has been awarded grant funding of up to £3,189,549.60 to create paid work placements for unemployed 16-24 year olds. This report seeks authorisation for acceptance of that grant funding. The Kickstart programme will provide financial resources to fund a programme of work placements within the Council and with local employers at a time of significant Council budgetary pressures.

2.3. As a gateway organisation, the Council applied for funding on behalf of employers, and will distribute the DWP administered Kickstart grant funding. Alongside this, the Council will host 47 placements. The Council will also lead a partnership approach, shaping quality standards and a toolkit of good practice for employers, and will work with key partners to design and coordinate a standardised package of preparation, pastoral and employability support for placement participants.

3. RECOMMENDATION(S)

3.1 To approve the acceptance of the grant from DWP for the sum of up to £3,189,549.60 and allow Hackney to agree to the grant conditions.

3.2 To approve the draw down of the funding and provide spend approval to create 47 placements at the Council, for which funding will be received in arrears.

4. REASONS FOR DECISION

³ <https://www.gov.uk/national-minimum-wage-rates>

4.1 The external funding will enable the delivery of the project at no cost to the Council.

4.2 Our participation in the Kickstart Scheme has the following key objectives:

- Generate quality employment opportunities for residents, creating pathways into further employment and apprenticeships.
- Build and strengthen relationships with employers, JobCentrePlus, local anchor institutions and the voluntary sector.
- Deliver against the aspirations set out in the Inclusive Economy strategy to work collaboratively with wider public sector institutions, businesses and third sector organisations to create high quality employment opportunities and pathways; making use of a mechanism (i.e. the Council acting as an gateway organisation) to draw down funding, thus enabling the Council to shape and influence the design of work placements in the wider borough and economy.

4.3 Covid-19 has had and will continue to have a profound structural impact on the economy and labour market. The scale of job opportunities in a range of sectors - many of which have typically provided entry level opportunities for young people - has been significantly reduced; and are unlikely to return to pre-pandemic levels.

4.4 Placements are being generated and structured in a way which supports the Council's Inclusive Economy agenda, with a focus on well-paid and well-supported placements in growth sectors, and prioritising groups experiencing barriers to opportunities. The funding will enable us to create employment for residents in the context of a labour market severely affected by the Coronavirus pandemic. The funding also gives us the opportunity to build new employer relationships and strengthen existing ones.

5. DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

5.1 If the grant was rejected:

- No paid placements could be generated at the Council, given the context of significant Council budgetary pressures. At a time when there is high demand for employment support and employment pathways, Kickstart funding presents the primary viable option of significantly scaling the Council's existing work placement programmes.
- Local employers would either not create work placements, or would access Kickstart funding through alternative gateway organisations, with approaches that vary significantly from the council's aim of delivering quality employment outcomes and fair pay. Government guidance is solely that Kickstart placements should pay National Minimum Wage, currently set at £6.45 for under 21s; and £4.55 for

under 18s. There would be no way of linking work placements created in Hackney with a pool of Hackney young people. There would be no way of ensuring wrap around pastoral support and progression opportunities (for example into apprenticeships/jobs) were put in place for young people. There would be no mechanism for ensuring placements are targeted at Council key priority groups e.g. young people with disabilities and care leavers. It is likely that placements may well be created in sectors/industry which did not provide high quality and sustainable jobs and careers - particularly in the context of the current systemic changes to the economy.

- There would be a risk to the Council's reputation for not accepting external funding or delivering upon its commitment to support residents into quality employment pathways.

6. BACKGROUND

6.0.1 In the Government's July mini-budget, the Chancellor promised a Kickstart scheme to support young people who are currently on Universal Credit and at risk of long-term unemployment due to the Covid-19 pandemic. In August/September, the detail of how the scheme will work and how employers can be part of it was announced.

6.0.2 Any organisation, regardless of size, can apply for funding. At the time of the Council applying, applications needed to be for a minimum of 30 job placements. In most cases, applications have been made by a 'Gateway' or representative organisation (e.g. a local authority), applying on behalf of a group of employers.

6.0.3 The job placements created with Kickstart funding must be new jobs. They must not replace existing or planned vacancies, and should not require people to undertake extensive training before they begin the job placement.

6.0.4 Placements must start by December 2021. Placements must be for a minimum of 25 hours per week, for 6 months - paid at least the National Minimum Wage for their age group.

6.0.5 Funding covers 100% of the National Minimum Wage for 25 hours per week for a total of 6 months, associated employer National Insurance contributions, employer minimum automatic enrolment contributions, and £1,500 per job placement for setup costs and employability support. Where the Council is the Gateway, this funding will be passed to the host employer as per the grant terms.

6.0.6 As a gateway organisation, the Council will be required to ensure that Government placement criteria are met for all placements, and that employability support is provided to young people undertaking a placement.

6.0.7 The Council has been successful in applying for external funding to create 47 placements to be hosted at the Council, and a further 370 placements with local employers where the Council is a 'gateway' organisation. Funding is

from the DWP through the Kickstart Scheme, part of the Chancellor's 'Plan for Jobs'.

6.0.8 The total grant funding per placement is dependent on the age of the participant. Maximum grant funding per placement is £7648.80, meaning we have been awarded grant funding for up to £3,189,549.60. Funding related to placements with local employers where the Council is the gateway will be passed to employers in line with the grant terms and conditions, with the exception of £300 per placement which will be retained by the Council as the Gateway to support administration costs.

6.1. Policy Context

6.1.1 Participation in the Kickstart Scheme is supported by the following policies and strategies:

6.1.2 Inclusive Economy Strategy

- Priority 3 - Connect residents to high-quality employment support and opportunities to learn new skills, get good quality, well-paid work and progress their career throughout their working life.

6.1.3 Rebuilding A Better Hackney' Report

- In line with the aspirations set out in the 'Rebuilding a Better Hackney report', Kickstart provides an opportunity and funding to create work placements and develop the skills of young people in important emerging economic sectors such as green jobs - across the public and private sectors.

6.1.4 The Manifesto

- The proposed approach to the Kickstart Scheme aligns with the Mayor's manifesto commitments to ensure that we tackle inequality by creating opportunities for residents from all backgrounds to develop new skills and access real, meaningful employment opportunities.

6.1.5 The Corporate Plan

- Tackling inequality through creating opportunity and economic growth are at the heart of the Council's Corporate Plan, 'Hackney a place for everyone: Building a fairer, safer and more sustainable Hackney, 2018-2022'.

6.2. Equality Impact Assessment

6.2.1 All Employment, Skills and Adult Learning programmes put a focus on groups who face barriers to opportunities and employment, and the same approach will be taken with Kickstart. The Council will manage the recruitment process

on behalf of partner employers, ensuring that residents facing barriers to accessing opportunities are supported to apply. The Council will monitor and support participation from young people from underrepresented groups, guided by the mayoral priority 'Tackling Inequality', protected characteristics as defined by The Equality Act 2010, and encompassing social class as set out in the Council's Single Equality Scheme 2018-2022.

6.2.3 The programme will be delivered in close collaboration with the Council's Supported Employment and Virtual School services, ensuring residents with a disability as well as care leavers are given priority status.

6.2.4 The Council will write into Employer Agreements a requirement for guaranteed interviews for residents with a disability.

6.3. **Sustainability**

Not Applicable

6.4. **Consultations**

Not Applicable

6.5. **Risk Assessment**

6.5.1 The project is classified as low risk.

6.5.2 A detailed analysis of the financial risk to the Council has been conducted by the Employment, Skills and Adult Learning team in partnership with Finance colleagues. This analysis has factored in the maximum possible on-costs associated with Council placements, and the fact that the Council will be paying participants £8.72 per hour, which is higher than the National Minimum Wage funding that placements will generate. The analysis has determined that the Council will break even by generating the projected number of placements. Council placements generate a £1,500 payment on top of the wage subsidy, but still represent a small loss per placement if the full on-costs are needed (e.g. if participants do not opt out of the pension scheme, and work from home thereby necessitating a higher ICT cost). Gateway placements represent £300 net income to the Council, as the remainder of the funding is passed in full to host employers. The terms of the grant funding offer the flexibility to increase or decrease the total number of eligible placements, and no obligation to offer the full number of placements. This means that Council placements (which will be staggered throughout the year) can be postponed or cancelled before recruitment if financial risk emerges.

6.5.3 There is a reputational risk to the Council when acting as the gateway for work placements on this scale, for example if host employers do not provide a suitable and supportive experience for young people, or if suitable young

people are not put forward for their roles. Mitigation for this risk will be through putting in place robust agreements with employers (through an Employer Agreement), and a defined process to work with employers to ensure placements are being set up in an appropriate way, and with adequate support for young people.

- 6.5.4 There is also a risk that there may be negative publicity nationally around the Kickstart scheme, with a possible perception that this is cheap labour for employers, or that placements do not offer meaningful work or improve employability. Mitigation of this risk will be the Council's programme setting a minimum wage level of £8.72 per hour for all placements (above the required rate for 16-24 year olds), and a robust process to ensure placements are new jobs involving meaningful work which supports the career development of participants, and that participants have access to employability and wraparound support. Partner organisations are also strongly encouraged to pay a minimum of £8.72 per hour.

7. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

- 7.1 This report requests approval to accept an offer of funding from the DWP to support up to 417 six-month 'Kickstart' work placements for unemployed 18-24 year olds.
- 7.2 The DWP will fund the salary costs at minimum wage plus employers NI and minimum 3% pension contribution. In addition, per placement they will provide £1800 to cover start up costs and training. Of the 417 placements, 47 of them are planned to be internal, with the remainder being with local employers, with the council acting as a gateway. The maximum cost recovery per placement is £7,168, with the maximum cost to the council for internal placements being £8,640 per placement, varying by age and largely dependent on whether the applicant joins the pension scheme and has to be provided with equipment to work from home.
- 7.3 For all external placements the Council will retain £300 of the funding per placement to cover administration costs. If all placements are filled this will equate to £111,000. It is estimated that this will cover the Council's costs of running the scheme. As set out at paragraph 5.7.2 the terms of the grant include the flexibility to increase or decrease the number of placements and therefore Council placements can be reduced if it emerges that full cost is not being recovered and these additional costs cannot be met from elsewhere.
- 7.4 Acceptance of the funding offer does not commit the Council to filling all placements and the funding will be awarded in arrears. The internal placements will all be set up in the 'Hackney Works' home cost centre so that the cost/income can all be monitored in one place and also to reduce admin. The internal placements will have to be set up on a phased basis, as the

admin income from the external placements will be required to be achieved to support the programme and cover internal costs. So the creation of the internal posts will only be approved by finance when sufficient external placements have been secured to ensure our costs are covered fully.

8. VAT Implications on Land & Property Transactions

Not Applicable

9. COMMENTS OF THE ACTING DIRECTOR, LEGAL & GOVERNANCE SERVICES

- 9.1 The decision in this Report is a key decision under Regulation 8 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 as it is an executive decision, which is likely (a) to result in the relevant local authority incurring expenditure which is, or the making of savings which are, significant having regard to the relevant local authority's budget for the service or function to which the decision relates; or (b) to be significant in terms of its effects on communities living or working in an area comprising two or more wards or electoral divisions in the area of the relevant local authority. Key decisions can be made by Cabinet under Article 13.6 of the Constitution and therefore this Report is being presented to Cabinet for approval.
- 9.2 In order to accept the funding from DWP the Council will need to enter into a grant agreement with them which will set out the terms of the grant. It is important that the Council comply with the terms of such grant in order to secure the grant funding and ensure it is not subject to clawback.
- 9.3 It will also be necessary to ensure that any of the grant sums which are applied in the provision of services or works from third parties are compliant with any clauses in the grant conditions regarding the appointment of third parties, and compliant with both the law regarding procurement and the Council's own internal requirements as set out in Contract Standing Orders.

APPENDICES

Not Applicable

EXEMPT

Not Applicable

BACKGROUND PAPERS

In accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012 publication of Background Papers used in the preparation of reports is required

Description of document (or None)

None

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