

CABINET ITEM COVERING SHEET PROFORMA

**AGENDA ITEM**

**REPORT TO CABINET**

**1 FEBRUARY 2007**

**REPORT OF CORPORATE  
MANAGEMENT TEAM**

**CABINET DECISION**

**Children and Young People – Lead Cabinet Member – Councillor Cunningham**

**DISAGGREGATION OF CONNEXIONS**

1. Summary

This Report seeks Cabinet approval for the arrangements to disaggregate the Connexions Tees Valley Company from 31<sup>st</sup> March 2007 and the transfer of part of the Connexions Service to each of the five local authorities, pursuant to a decision of the Tees Valley Connexions Board on 27<sup>th</sup> July 2005 and Cabinet's decision at its meeting on 3<sup>rd</sup> November 2005.

2. Recommendations

- Members are asked formally to approve the disaggregation of the Connexions Tees Valley Company from 31<sup>st</sup> March 2007 by transferring a part of the Connexions Service to each of the five local authorities
- Members are asked to delegate authority to the Directors of Children, Education and Social Care, Resources, and Law and Democracy, in consultation with the Leader of the Council, to complete the transfer arrangements including:- entering into the Transfer Agreement, assignment of the Bishopton Lane one-stop shop, and processing all ancillary and related documentation.
- The Tees Valley Connexions Company and the other four Tees Valley local authorities are informed of the decision of Stockton members.

3. Reasons for the Recommendations/Decision(s)

The Connexions Tees Valley Company was established in September 2002. It is a company limited by guarantee and is wholly owned by the five Tees Valley Local Authorities. In order for it to disaggregate on 31<sup>st</sup> March 2007 the Cabinet of each of the five Tees Valley local authorities must approve the disaggregation arrangements.

4. Members Interests

Members (including co-opted members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (paragraph 8) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (paragraph 10 of the code of conduct).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting is being held, whilst the matter is being considered; not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (paragraph 12 of the Code).

**Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc.; whether or not they are a member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting, and if their interest is prejudicial, they must also leave the meeting room during consideration of the relevant item.**

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**Recommendations**

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**DETAIL**

1. On 3<sup>rd</sup> November 2005 Members gave approval to the recommendation of the Connexions Tees Valley Board to work towards the disaggregation of the Tees Valley Connexions Company to five LAs by 31 March 2007, and authorised the Director of Children, Education and Social Care, in consultation with the Lead Cabinet Member, to work with the Tees Valley LAs to effect this. The Connexions Tees Valley Company was established in September 2002. It is a company limited by guarantee and is wholly owned by the five Tees Valley LAs.

2. As identified in the Cabinet Report of 5 November 2005, the Tees Valley LAs are participating in the DfES-funded Migration Pilot which through a Partnership Agreement with the Connexions Company has involved a closer integration of the work of Connexions Locality Teams with the evolving integrated youth support offer, and a strengthening of the work of the Local Management Committees (LMCs), and in Stockton's case with the LMC assuming responsibility for two of the Every Child Matters outcomes: Make a positive contribution, and Achieve economic well-being.

3. Oversight of the disaggregation process has been undertaken on behalf of the LAs by the Planning Group (PLaG) whose membership comprises officers from each of the Tees Valley LAs, senior officers from the Connexions Company, and a representative from GO:NE. In order to address the key disaggregation issues and assess the risks a series of Operational Groups have been established, again with officer representation from the five LAs and the Connexions Company: Finance, Legal, Personnel, Information Management and a practitioner group comprising Locality Managers to identify issues at a local level.

3. All the groups began work to PLaG's Project Plan and subsequently have drawn up their own risk-assessed Action Plans. All the groups have worked well together and with the Connexions Directorate to achieve consensus. We are on target to achieve disaggregation across the Tees Valley on 31<sup>st</sup> March and for the Connexions-branded information, advice, and guidance service to begin operating on 1<sup>st</sup> April 2007 as part of each LA's evolving integrated youth support offer. Our external evaluators gave a positive judgement on our leadership of the disaggregation process through PLaG and of the priority we gave to achieving consensus on key issues.

4. In order for the disaggregation to take place the Connexions Board will need to agree a winding-up resolution which has been prepared by the Company's legal advisors, Dickinson Dees, and consulted on with the Legal Operational Group. In addition the Cabinet of each LA will need to approve Recommendations on disaggregation, transfer of part of the service, and delegation of authority to complete the arrangements. This Report will therefore form the basis of the reports going to the Cabinets of all the Tees Valley authorities.

## **FINANCIAL AND LEGAL IMPLICATIONS**

### **Financial**

The Government Office for the North East (GONE) has notified the authority of its revenue allocation (£1.9m) for 2007/08 which is a slightly reduced share of a standstill budget for the Tees Valley. In addition a further £170k is being made available through the Local Area Agreement to continue the work of staff who have TUPE-transferred to Stockton and who are engaged in the Positive Activities for Young People programme. This will enable the Authority to refine and publish its structure for delivering its integrated youth support structure.

Following extensive negotiation GONE has announced a level of financial support for disaggregation through its Transition Support Fund (TSF) (£2.3m across the Tees Valley) which has allayed anxieties over authorities needing to cover a significant deficit on disaggregation.

The Connexions Company has reserves of in the order of £1.2m which can be used to offset the pension fund deficit.

The TSF will fund the setting up costs in Stockton of a Tees Valley-wide Management Information Unit to service the data and information needs of all five authorities. It emerged during the year that this Tees Valley-wide provision was a DfES requirement. The service will be provided under a Service Level Agreement, the terms and costs of which have been agreed between the local authorities.

### **LEGAL**

The Legal Operational Group has been an important source of advice to the Planning Group, and the Finance and Personnel groups in their work with Connexions whose Board has its own independent legal advice.

The legal arrangements for transferring part of the Connexions business to the 5 LAs (including employees, assets and any liabilities, contracts etc) will be completed by executing a Transfer Agreement, a draft of which has been agreed by the Legal Officers of the 5 local authorities, PLaG, Connexions Legal Advisors and Chief Executive (a copy of the draft can be accessed through the office of the Director of Law and Democracy, the contact officer being Jill Douglas).

The Transfer Agreement contains mutual indemnities whereby:-

Connexions will indemnify the LAs for any liability incurred by them in respect of any acts or failure to act pre transfer up to the available assets.

The LAs will indemnify Connexions for any liability incurred by them due to the LAs' act or failure to act after the transfer.

In the event of any liabilities being incurred by the LAs which cannot be recouped under the indemnity given by Connexions because there are no available assets to meet the liability, it is proposed that the costs would be apportioned between the individual LAs in accordance with the Connexions formula funding grant allocation.

It is the intention of Connexions post transfer to seek to dissolve the company by pursuing a striking off application. This can be achieved provided the Company is solvent and does not trade for a period of 3 months. There is a statutory process to follow to apply for the striking off which will include giving notice of the application. The Transfer Agreement refers to the intention to pursue this course of action post transfer and also that the LAs will be consulted prior to an application being made.

## **RISK ASSESSMENT**

There are clearly potential risks to authorities in approving the recommendation formally to disaggregate the Connexions Company on 31<sup>st</sup> March which the Planning Group and Operational have sought (and continue to seek) to control and reduce them:

### **ASSETS**

The Connexions Company has negotiated a continuation of its Headquarter's lease up 30<sup>th</sup> June 2007 to enable the winding up of the company. It is working in Stockton and all the LAs on the transfer of the leases of one-stop shops and clarifying the position on dilapidations. The TSF provides funding to meet dilapidations required by landlords on the transfer of leases. The Connexions Board has agreed an Assets Disposal Policy and the Company is conducting an inventory. The Legal and Finance Operational Groups are working with the Company to control and reduce the risk; the risk is low.

A small residuary team is proposed to operate until 31<sup>st</sup> June 2007 to complete the administration required to wind the Company up. There is a risk that, were key staff to leave before that time, the Board and the LAs would struggle to complete the task. PLaG is working with the Connexions Directorate to take any necessary action to control and reduce the risk.

### **PERSONNEL**

There are two areas of significant risk in this area which is being overseen by the Personnel Operational Group which is working with the Company to control and reduce them:

*Redundancy* – As LAs are not proposing to set up mini-Connexions Companies but rather to integrate into the youth support offer, under the Connexions brand, the information, advice and guidance strand, the LAs and the Connexions Board agreed that Connexions will not be recognisable post transfer as a single economic entity. Therefore not all employees would necessarily be eligible for TUPE transfer. To determine whether employees were engaged in those parts of the Connexions business which would be recognisable post transfer and therefore be eligible for TUPE transfer, Connexions, in consultation the LAs, have applied three criteria to determine eligibility: 1. Is the post wholly or mainly in one geographical area? 2. Will the post be recognisable in the new structure? 3. Will there be a continuing need for the post?

As a result 43 staff have been designated as not being eligible to TUPE transfer and designated as at risk of redundancy. Since the beginning of January redundancy notices are being issued on a phased basis. To mitigate the effects of redundancy the LAs have voluntarily agreed a Management of Change protocol to treat these at risk staff in the same way as redeployees within their own authorities in terms of prior notification of vacancies and early consideration of appropriately qualified staff. This practice has already enjoyed some success.

The TSF provides funding support for any appeals and for meeting redundancy and early retirement costs

*Job Evaluation* – This is an issue which is for the Company to determine. Before any discussions had begun on disaggregation the Connexions Board had initiated consultations on the replacement of the Hay pay system it had introduced, specifically the difficulty in implementing the performance pay element. It resolved to introduce a new system with pay and conditions linked to APT&C. The discussions were lengthy and Unison at a late stage withdrew support following advice from national headquarters. The Board nonetheless agreed to go ahead with implementation and a statutory consultation period was entered into due to Unison's withdrawal of support. The outcome of that consultation will be reported to the Connexions Board on 31<sup>st</sup> January 2007 for a decision whether to implement; the Board will receive its own legal and HR advice regarding implementation. The decision of the Board will be reported at Cabinet. Whichever decision is made, there are likely to be appeals, some of which are unlikely to be dealt with before 31<sup>st</sup> March 2007.

## **CONTINUITY OF SERVICE DELIVERY AND PERFORMANCE**

The Planning Group has worked closely with the Connexions Company to ensure that there is no decline in the quality of service delivered to young people, nor detriment in the achievement of the service targets as a result of disaggregation. The risk continues to be low in this area.

## **COMMUNITY STRATEGY IMPLICATIONS**

### **Environment**

No implications.

### **Community Safety and Well-Being**

No implications.

### **Health**

The DfES has not yet reached a decision on Connexions Direct, a national helpline, which offers young people help on a range of issues, including health.

### **Economic Regeneration**

The Connexions-branded information, advice and guidance activity will be more closely integrated with the overall strategy for economic regeneration.

### **Education and Lifelong Learning**

The Connexions-branded information, advice and guidance activity will be more closely integrated with the overall strategy for education and lifelong learning, and particularly the 14-19 strategy.

### **Arts and Culture**

No implications.

## **CONSULTATION INCLUDING WARD/COUNCILLORS**

Consultation is on-going with all stakeholders. In addition members of PLaG and Operational Groups have met Connexions staff and their Trade Union.

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### Background Papers

The Cabinet Report 3<sup>rd</sup> November 2005.

### Ward(s) and Ward Councillors:

N/A

### Property

The acquisition of the lease for the Stockton one-stop shop.