

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

5 February 2009

**REPORT OF
CORPORATE
MANAGEMENT TEAM**

CABINET DECISION

Corporate Management and Finance – Lead Cabinet Member – Councillor Laing

EDUCATION AND EMPLOYMENT SERVICES

1. Summary

This report provides details of the introduction of Flexible New Deal and seeks approval to the non submission of a tender to provide training for flexible new deal participants in the future due to the significant financial risk this would place on the Council.

2. Recommendations

To seek approval to commence consultation in respect of the Council ceasing to provide an in house training service for flexible new deal participants. Subject to the outcome of the consultation The Director of CESC to inform Job Centre Plus that we will no longer provide training services under the Flexible New Deal programme.

3. Reasons for the Recommendations/Decision(s)

To ensure the Council are not put at significant financial risk following the introduction of new funding arrangements in respect of the flexible New Deal Programme

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 (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;
- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must 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 (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.

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5 February 2009

**REPORT OF CORPORATE
MANAGEMENT TEAM**

COUNCIL DECISION

Corporate Management and Finance – Lead Cabinet Member – Councillor Laing

EDUCATION AND EMPLOYMENT SERVICES

SUMMARY

This report provides details of the introduction of Flexible New Deal and seeks approval to the non submission of a tender to provide training for flexible new deal participants in the future due to the significant financial risk this would place on the Council.

RECOMMENDATIONS

To seek approval to commence consultation in respect of the Council ceasing to provide an in house training service for flexible new deal participants. Subject to the outcome of the consultation The Director of CESC to inform Job Centre Plus that we will no longer provide training services under the Flexible New Deal programme.

DETAIL

1. Stockton Borough Council's Training & Employment Services has been contracted to deliver the Government's New Deal Programmes since 1998. Until 2006 the Service was in a direct contractual relationship with Job Centre Plus but since that date Job Centre Plus introduced Prime Contractors to reduce the number of contracts they directly managed. The Service now acts as a sub-contractor to 2 Prime Contractors; Working Links and Avanta TNG.
2. The Government has reviewed its New Deal programmes and are proposing to introduce 'Flexible New Deal' as part of their proposal to strengthen the requirements for those claiming Job Seekers allowance. This replaces the current separate New Deals for young people and unemployed adults. Clients will be expected to participate either in obtaining employment, participating in work placements or work in the community on a full time basis. Failure to do so could impact on their benefit claim.
3. In 2007 the Government began a procurement process for Flexible New Deal. In July 2008 12 organisations were notified they had progressed through the Pre Qualification stage for the Tees Valley and North and East Yorkshire area and Training & Employment Services has worked with each organisation to provide

details for their tenders to Job Centre Plus. The tenders were submitted by the organisations at the end of November 2008.

4. Flexible New Deal differs in a number of ways from the existing New Deal programmes but one of the most important changes is to the funding model. At present the funding for each programme is made up of funding linked to the number of clients on the programme paid on a weekly basis for a period of 13 or 26 weeks and output funding linked to a client obtaining employment and or a qualification. The on programme payment amounts to 65% of the total funding package and is guaranteed.
5. The funding Model for Flexible New Deal is significantly different in that it consists of a start fee, a job payment after a client has been retained in employment for 13 weeks and a further retention payment if the client is still in work after 26 weeks. The start payment of 10% of the total funding available is the only guaranteed payment. The actual payments differ slightly from one tendering organisation to another as each has retained different amounts for their "management fee". The most significant proportion of the funding, therefore, is now directly related to the client finding and staying in work for a specified minimum period.
6. The funding model has based its projections on job entry rates of between 60% and 70%. The current job entry rate of Training & Employment New Deal Programmes is between 25% and 40% depending on the type of programme followed. The highest overall entry rate achieved was 55% in 2001/02. Although these clients will be closer to the job market than currently and may be more focussed on obtaining work if the alternative is to lose their benefits, the current recession is already having a significant impact on unemployment rates. This makes it extremely difficult to meet the job entry rates required for the financial stability of the delivery organisations

FINANCIAL IMPLICATIONS

7. The Financial implications of participating in the Flexible New Deal Programme are as follows:-

- (1) SBC Continue to Act as Sub Contractor.

Because of the change to the funding arrangements together with a reduction in the need for the same number of staff to deliver Flexible New Deal there would be an estimated net annual cost to the Council of £590k. There would also be some redundancy costs estimated to be £106k as fewer staff would be required to deliver the New Deal programme.

- (2) SBC Decline to act as a Sub Contractor

There would be a loss of income to the service and potentially some redundancy costs although it is anticipated that the majority of staff would transfer to the new provider. Any residual costs would be found through a further rationalisation of the newly merged Education and Employment Service, prior to the termination of the current New Deal programme in July 2009. It is estimated that these costs would be approximately £72,000 annually plus one off redundancy costs estimated at between £134k and £240k depending on how many Stockton staff TUPE transfer to new sub-contractor.

LEGAL IMPLICATIONS

8. Job Centre Plus and the prospective new providers of the service have requested TUPE information. Therefore there is an acceptance that the Transfer of Undertakings (Protection of Employment) Regulations 2006 will apply to the transfer of the service to

the new provider. However, if a dispute arises and a Court or Tribunal rule that TUPE does not apply there will be increased redundancy costs for the Council.

RISK ASSESSMENT

9. The new funding model alone represents greater financial risk to the Council but this is further increased by the economic slow down/recession making the possibility of reaching targeted job entry rates extremely remote. Based on an assessment of current job entry and retention rates the risk assessment is HIGH with potential financial consequences of £696,000 initially reducing to approximately £590,000 per annum thereafter.

SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS

10. Currently, the Council's contribution to LAA targets relating to education and training has been a positive one. However, The Communities Fund will complement Flexible New Deal and other mainstream provision and as part of its criteria young people and benefit recipients are highlighted as priority groups. As such, providers will have to deliver against those targets and it is expected that Flexible New Deal will still be delivered in Stockton by the prime provider or an appropriate sub-contractor.

EQUALITIES IMPACT ASSESSMENT

11. It is not considered to be necessary for an Equality Impact Assessment to be carried out for the purposes of this report.

CONSULTATION INCLUDING WARD/COUNCILLORS

12. This is not a Ward specific matter. Relevant Cabinet Members have been consulted.

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<u>Background Papers</u>	None
<u>Ward(s) and Ward Councillors:</u>	Not Ward Specific
<u>Property</u>	Not applicable