
DISAGGREGATION OF THE TEES VALLEY CONNEXIONS COMPANY

Responsible Cabinet Member – Councillor Don Bristow, Resource Management Portfolio

Responsible Director – Dr Glenys Jones, Interim Director of Children's Services

Purpose of Report

1. To seek Members' approval:
 - (a) for the arrangements to disaggregate the Tees Valley Connexions Company, wholly owned by the five Tees Valley Authorities, from 31st March 2007;
 - (b) for the transfer of part of the Connexions Service to each of the five Local Authorities, following the decision of the Tees Valley Connexions Board on 27th July 2005 and Darlington Borough Council's Cabinet's decision at its meeting held on 1st November 2005; and
 - (c) for the Local Authority to enter into a lease of Nos. 6-9 Houndgate which is the accommodation currently occupied by Connexions in Darlington.

Information and Analysis

2. 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. On 1st 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 the five Local Authorities of the Tees Valley by 31st March 2007, and authorised the Director of Children's Services in consultation with the Lead Cabinet Member, to work with the Tees Valley Local Authorities to effect this.
3. As identified in the Cabinet Report of 1st November 2005, the five Tees Valley Local Authorities 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 local integrated youth support offer, and a strengthening of the work of the Local Management Committees (LMCs).
4. Oversight of, and project planning for, the disaggregation process has been undertaken on behalf of the Local Authorities by the Planning Group (PLaG) whose membership comprises officers from each of the Tees Valley Local Authorities, senior officers from the Connexions Company, and a representative from GONE. 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 Local Authorities and the Connexions Company. The Operational Groups are Finance, Legal, Personnel, Information Management and a practitioner group comprising Locality Managers to identify issues at a

local level. We are on target to achieve disaggregation across the Tees Valley on 31st March 2007 and for the Connexions-branded information, advice, and guidance service to begin operating on 1st April 2007 as part of each Local Authorities evolving integrated youth support offer.

5. In order for the disaggregation to take place the Connexions Board will need to agree a winding-up resolution which has already been prepared by its legal advisors, Dickinson Dees, and consulted on with the Legal Operational Group. Additionally the Cabinet of each Local Authority will need to approve recommendations on disaggregation, transfer of part of the service, and delegation of authority to complete the arrangements

Financial and legal implications

6. GONE has already notified the authority of its revenue allocation for 2007/08 which is an increased share of a standstill budget for the Tees Valley. This will enable the Authority to refine and publish its structure for delivering its integrated youth support structure.
7. 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.
8. The Connexions Company has reserves in the order of £1.2m which can be used to offset the pension fund deficit.
9. 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 by means of a Service Level Agreement, the terms and costs of which have been agreed between the local authorities.
10. It is proposed in the Transfer Agreement that any costs after 1 April 2007 which arise as a result of disaggregation, will be shared between the five Tees Valley authorities.
11. 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 accesses its own independent legal advice.
12. The legal arrangements for transferring part of the Connexions business to the five Local Authorities (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 Officer representatives of the five authorities, the PLAG, Connexions legal advisers and their Chief Executive. The Transfer Agreement contains mutual indemnities whereby Connexions will indemnify the Local Authorities for any liability incurred by them in respect of any acts or failure to act prior to transfer up to the available assets and the local authorities will indemnify Connexions for any liability incurred by them due to any potential act or failure to act after the transfer. In the event of any liabilities being incurred by the Local Authorities 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 Local Authorities in accordance with the

Connexions formula funding grant allocation.

13. 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 three 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 Local Authorities will be consulted prior to such an application being made.

Risk Assessment

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

Assets

15. The Connexions Company has negotiated a continuation of its Head Office lease up to 30th June 2007 to enable the winding up of the company. It is working in Darlington and the other four Local Authorities 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 and assess the risks as low.
16. A small residuary team is proposed to operate until 31st 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 Local Authorities would struggle to complete the task. PLAG is working with the Connexions Directorate to take any necessary action to control and reduce this risk.
17. The Connexions service in Darlington is provided from offices at Nos. 6,7,8 and 9 Houndgate, which premises are currently leased from a private landlord. Each property is leased separately under an agreement which prohibits assignment. Connexions have served notice to terminate these leases with effect from 31st March 2007.
18. Informal negotiations have already commenced with the landlord who has indicated that he will be prepared to grant a new three year lease of Nos. 6-9 Houndgate in order for the service to continue from the property. Investigations are currently being undertaken to establish whether the property complies with statutory requirements and assess the anticipated costs of meeting these requirements.

Human Resources Issues

19. The Human Resources implications of the disaggregation of the Connexions Company are outlined in **Appendix A**.

Outcome of Consultation

20. Consultation with a range of stakeholders, including staff, is ongoing with all stakeholders. In addition, members of PLAG and operational groups have met Connexions staff and their Trade Union.

Legal Implications

21. This report has been considered by the Borough Solicitor for legal implications in accordance with the Council's approved procedures. There are no issues which the Borough Solicitor considers need to be brought to the specific attention of Members, other than those highlighted in the report.

Section 17 of the Crime and Disorder Act 1998

22. The contents of this report have been considered in the context of the requirements placed on the Council by Section 17 of the Crime and Disorder Act 1998, namely, the duty on the Council to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. It is not considered that the contents of this report have any such effect.

Council Policy Framework

23. The issues contained within this report do not represent change to Council policy or the Council's policy framework.

Decision Deadline

24. For the purpose of the 'call-in' procedure this does not represent an urgent matter.

Key Decision

25. This is a key decision as it relates to a service which covers all wards in Darlington.

Recommendations

26. It is recommended that Members:-
 - (a) Approve the disaggregation of the Connexions Tees Valley Company from 31st March 2007 by transferring a part of the Connexions Service to each of the five Local Authorities;
 - (b) Delegate authority to the Director of Children's Services to complete the transfer arrangements including: to execute transfer arrangements, the Transfer Agreement, and processing all ancillary and related documentation;
 - (c) Authorise the Director of Development and Environment to negotiate and, in consultation with the Cabinet Member, Resource Management Portfolio, agree terms for a lease of Nos. 6-9 Houndgate

- (d) Authorise the Borough Solicitor to complete the necessary documentation; and
- (e) Give approval to The Tees Valley Connexions Company and the other four Tees Valley Local Authorities to be informed of the decision of Darlington members.

Reasons

27. The recommendations are supported by the following reasons :-

- (a) 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 March 2007 the Cabinet of each of the five Tees Valley Local Authorities must approve the disaggregation arrangements;
- (b) This is necessary to complete the arrangements; and
- (c) It is necessary to have co-operation and co-ordination of actions across the five Tees Valley Authorities in order to achieve the outcome of a successful disaggregation of the Tees Valley Connexions Company.

**Dr Glenys Jones,
Interim Director of Children's Services**

Background Papers

Report to Cabinet 1st November 2005

author : Gail Bowen, Consultant