

Executive

27 February 2007

Report of the Director of Learning, Culture and Children's Services

Future of the Connexions Service

Summary

1. This report advises the Executive that from April 2008 the City of York Council will receive a government grant previously paid to the Connexions Service and will also acquire the responsibilities attached to the funding.
2. The report further proposes a strategy for how the Executive should manage these new responsibilities and seeks permission to implement a management of change strategy, funded entirely by external grants.

Background

3. At a national level, the Connexions Service was established in 2001 in response to the vision set out in the Social Exclusion Unit's report *Bridging the Gap* and the White Paper *Learning to Succeed*. These documents proposed the creation of a more co-ordinated youth support service to address problems and issues faced by young people, and in particular those young people not in education, employment or training (NEET) or at risk of becoming so. In York and North Yorkshire, the service was set up as a limited company and went live in September 2002. The partners then were City of York Council, North Yorkshire County Council (NYCC) and Guidance Enterprise Group (GEG) – a private careers company. In July 2004, with the approval of the Executive, the business of the Connexions company was transferred to North Yorkshire County Council, together with staff, premises and assets. This was done on the advice of the Department for Education and Skills (DfES) in order to resolve a VAT issue which had not been anticipated by central government.
4. The Connexions business is to agree a local delivery strategy and to receive a Central Government grant, which it then awards to a variety of contractors to deliver the strategy, covering a range of information, advice and guidance and youth support services at various environments. In accordance with the origin of the service, much of its work is targeted at young people not in education, employment or training and therefore at risk of social exclusion. Much of the additional funding brought in by Connexions, over and above the funding for the

former careers service contract, has been allocated to the targeted work. In 2008 the current arrangements will change. Connexions grants will be given directly to councils who will then continue to be responsible for awarding contracts to providers for the service.

5. Connexions is a multi-agency focused service. Both the current strategic Board and the local management committee of the service are multi-agency bodies. The multi-agency approach to both the composition of partnerships and their operational delivery has been a key strength of the Connexions service. Strong links have been forged with local partners such as the council, schools and colleges, employers, the Learning and Skills Councils (LSCs), the Youth Service, Youth Offending Teams, the Education Welfare Service, the Police, Health, Children's Services, Jobcentre Plus and a wide range of voluntary and community sector organisations. In this sense, the service pioneered the drive towards greater integration of young people's services which is one of the underpinning principles of the reforms set out in Youth Matters. The development of multi-agency one-stop shop facilities for young people has been an important plank in the success of this approach.
6. The Connexions Board consisted of key strategic partners who could represent strong sub-regional agendas, as well as seeking the best services for York. The Board members included the Learning and Skills Council, the Police and the Primary Care Trust, for instance. These organisations are now full members of the children's trust arrangements in York.
7. The thrust of policy in the area of young people is a strong steer to integrate service delivery further. The government are driving this agenda by introducing a common assessment framework for all agencies, information sharing and lead practitioners – a worker who supports a family or young person when they are in contact with a number of agencies. Since 2005, the DfES has funded 2 pilot schemes in York to progress these issues and to integrate the work of the service with the children's trust and with the Youth Service in particular. The approach to more integrated working has been welcomed by all providers and by all agencies receiving the service.
8. Another important feature of Connexions has been the commitment to involving young people in meaningful ways in the design, planning, delivery, evaluation and governance of the service. This has been recognised as a strength, with young people and stakeholder surveys reporting that young people were involved in a wide range of activities across the service, most commonly relating to influencing the scope, mechanics and evaluation of the service.

The future funding arrangements and transfer of responsibility

9. The Connexions statutory functions that will transfer to the local authority in 2008 are set out below. Each local authority can either deliver the functions in-house or can commission the work from one or more external partners.
10. Under **Section 8 of the Employment and Training Act 1973** (amended by the **Trade Union Reform and Employment Rights Act 1993**), the Secretary of State has a duty to secure the provision of services for assisting persons undergoing relevant education to decide:
 - what employments, having regard to their capabilities, will be suitable for and available to them when they cease undergoing such education; and
 - what training or education is or will be required by and available to them in order to fit them for those employments;
 - and for assisting persons ceasing to undergo relevant education to obtain such employments, training and education.
11. There is a statutory requirement for schools to deliver a programme of careers education from Year 7. Connexions partnerships are expected to support curriculum and staff development in careers work. The statutory duty refers to the requirement to provide careers services to young people.
12. Under **Section 114 of the Learning and Skills Act 2000**, the Secretary of State has the power to provide or secure the provision of services which he or she thinks will encourage, enable or assist (directly or indirectly) effective participation by young people in education or training. This power effectively extends the Connexions remit beyond Careers Education and Guidance and into delivery of a wider range of services designed to improve levels of participation in education and training.
13. Under **Section 140 of the Learning and Skills Act 2000**, the Secretary of State has a duty to arrange an assessment for young people with learning difficulty and/or disability as defined by the Act to assist their transition to post 16 education and training opportunities. Section 140 assessments are conducted by Personal Advisors and take place in or after the young person's final year of compulsory education.
14. Connexions Partnerships are responsible for government set targets that will become local authority responsibilities – as is already happening through Local Area Agreements. The most relevant one is reducing the proportion of 16-18 year olds not in education, employment or training (NEET).
15. In addition, any organisation acquiring the Connexions grant will be required to maintain a client management system to provide benefits

advice to young people to promote financial advice to young people such as the Education Maintenance Allowances.

Implications of the change in funding arrangements

16. Responsibility for delivering the Connexions service in York will transfer to the local authority, who must have regard to the views of the children's trust when deciding how to run the service. Funding for the service delivery will be paid directly to the local authority. The funding will be allocated by a nationally set formula and is expected to be allocated for a 3 year period. The DfES are still in the process of developing the formula but fundamental changes from the figures set out, below, are not expected.
17. It is expected that approximately £1,241,000 will be allocated to York each year for service delivery. In addition, the York share of the current central costs for premises, central team costs etc is £167,326. In total, therefore, York would expect to receive £1,408,782 from April 2008 if the expected formula is applied.
18. The current allocation of the £1,408,782 in York for 2007 is directed towards the following providers:

Guidance Enterprise Group	£855,139
City of York Council	£291,179
Voluntary, community and other sectors	£95,138
Central team costs (transferring to York in 08)	£167,326
19. The current Connexions Board has agreed to wind up its functions as soon as the transfer of funding is complete in April 2008. There will no longer be a sub-regional Board or service to deliver. In anticipation of this, the children's trust Board in York has expanded its membership to the sub-regional bodies that can provide valuable advice to the city, such as the LSC, the Police and the North Yorkshire Business and Education Partnership (NYBEP). The central Connexions staff involved in servicing the Connexions Board and Partnership across the sub-region will no longer be required. This issue will be dealt with by NYCC, as the employer of all the central staff, and the Connexions Board, which has set aside funds to meet such eventualities.

Establishing a Young People's Service for York

20. In order to deliver the aspirations set out in the *Youth Matters* Green Paper and the Education and Inspections Act 2006, the local authority will need to establish a new Young People's Service, combining the functions of the Youth Service with those of Connexions. This would involve a merger of the two services, with some resulting efficiency savings in both premises and management costs.
21. It is proposed that the new Young People's service cover all of the functions of the two current services and is based on locality teams

drawn from both services. No current activity will be lost but service delivery should be improved by the development of flexible, multi-agency teams – along the model already successfully piloted in the city through targeted youth support teams.

22. The teams will consist of the current youth work and Connexions teams, both of which have already aligned their staff to clusters of wards and schools to create a locality model. There will be single line management of these teams and improved access to them by young people because of their location in schools and young people's centres.
23. The strategic partnership accountability for the service will be through the Yor Ok Board and the 14-19 Partnership. Bodies such as the local management committee for Connexions will be wound up as responsibility transfers to existing and well-established bodies. Both the Yor Ok Board and the 14-19 Partnership have expanded their membership recently to include broader representation to ensure that they can deal with both universal and targeted services.

Consultation

24. A programme of consultation began in September 2006. This consisted of meetings of all stakeholders through the Yor Ok Board and the local management committee, through to targeted consultations with schools, colleges and the voluntary and community sector. Consultation ended on January 16th 2007 and a formal report outlining the outcomes of the consultation was presented to the Yor Ok Board. The Board endorsed a series of principles which they wished the Executive to be aware of when making their decision about the future of Connexions in York. The principles endorsed by the Board were as follows:
 - To deliver a local authority led, integrated young people's service, which would be based in schools, colleges and youth centres.
 - To move strategic management of the service to the Trust Board and the 14-19 strategy, whilst also increasing the management of the provision by Heads and college principals.
 - To reduce the management structures delivering the services, by integrating with the Youth Service management team, and reduce some of the bureaucracy involved in gaining contracts and monitoring delivery by moving to 3 year funding agreements wherever possible.
 - To explore ways to redistribute resources towards more universal and preventative services, over time.
 - Services to become more flexible, with staff teams able to deliver comprehensive services during office hours, extended school provision and at evenings and weekends.
 - To support the development of capacity in the voluntary and community sector.

- To guarantee that organisations working across York and North Yorkshire, such as the colleges, will not be adversely affected by the separation of funding between two local authorities.

Options

25. There are three options the Executive should consider when planning how to deliver the service described in paragraphs 20 – 23 above. These are:
- to take in-house more of the service;
 - to roll forward all existing contracts with external bodies; or
 - to put out to tender some or all of the work.

Option 1: Increase in-house provision

26. The council could take over the direct running of the key functions for which it is legally accountable, such as the delivery of information, advice and guidance. These services used to be run by local authorities and are being taken over by local authorities, where they can be run efficiently and effectively and where best value can be demonstrated. In addition, as services become more integrated, the process is enhanced by having the staff teams working to the same employer. If this option is chosen, the main implications would be for the frontline staff and their immediate managers working for the Guidance Enterprise Group. These staff could transfer to the local authority, with full funding. There would be a reduction in management and non-staffing costs, particularly accommodation costs. This would facilitate the greater integration and flexibility needed to deliver a high performing service. This option would ensure that service levels were maintained and would also give the likeliest possibility that more frontline delivery could be made from within the same level.
27. Some services may continue to be provided by the Guidance Enterprise Group, who have, for example, expertise in training staff in specialist areas that the council would not be able to deliver at a lower price. The externally purchased services would be commissioned according to council policy.
28. Any transfer of function would require the council to find accommodation in schools, colleges or youth centres for up to 18 additional staff. Accommodation would be shared by staff teams in existing bases and in schools and colleges. The following sites have been identified as potential bases for locality teams:
- Fulford School, for the team serving the south and east of the city. Suitable accommodation is already available there.
 - The team serving the west of the city would probably be based at Moor Lane youth centre, which would require some capital outlay to convert spaces.

- The team serving the north of the city would be based at Kingswater centre. This would be in the existing office space, with no impact on space for young people. It would require some of the current management and administrative functions to be relocated.
 - Some management and administrative staff would be allocated space in existing council accommodation or in a building currently leased by Connexions at a competitive rent. The forward planning for Hungate already includes plans to locate the senior management function of the service there.
29. Connexions have allocated £57,000 for capital works to City of York Council to pay for the relevant infrastructure costs should the council accept this option. This funding would be carried over into the next financial year, and reported through the capital programme.
30. There are some functions of the service that neither the council nor commercial partners could run as well as other organisations. These include the services delivered to some of the hard to reach groups that are better delivered by the voluntary and community sector.
31. Option 1 meets all of the needs identified by the consultation.

Option 2: Roll forward existing contracts

32. The council could, for a fixed period, continue to provide the services in their current form. The main benefit in choosing to do this would be continuity of provision. The current service is generally high performing and it is reasonable to assume that a decision to roll forward the existing contract would maintain current levels of performance.
33. Changing circumstances, however, may make it difficult simply to maintain the status quo. There are financial, legal and managerial issues that need to be addressed even if the decision is taken to remain with the current contract.

Financial issues

34. It is difficult, at this stage, to provide a detailed analysis of the financial implications of disaggregating the sub regional Connexions grant. For a number of years, York had been successful in bidding for more than its formula share of resources from the Connexions Board. Under the formula allocation for York in 2006, one frontline post was redeployed from York to North Yorkshire to ensure that future provision in the city could be funded from the grant allocation anticipated under the new arrangements. For the last three years the Connexions grant has failed to keep pace with inflation and this is expected to be the case for 2007/08 already. This suggests that it will be difficult to maintain frontline services unless economies are found from elsewhere. In the current financial year the company holding the largest contract spent just under 20% of their funding on accommodation and not on service delivery.

Legal issues

35. The authority has a legal requirement to secure best value in the procurement of services. The contract for Connexions delivery in York (and North Yorkshire) and its predecessor services has not been subject to tendering or market testing for many years. It should have been put out for tender at the point that the new Connexions Service was established, and again when the government changed funding rules. On both occasions the private company holding the contract were given permission to have the contract extended for a further period, without being subjected to competition. A decision to extend the existing contract for a further period without market testing might be held to be in breach of the best value requirement and European procurement rules.

Managerial issues

36. Through the consultation and through routine review of the service, managers have identified a number of functions within the existing contract that could be improved by changing contractual arrangements. These include the opportunities that would arise from greater involvement of the voluntary and community sector and the requirement for more flexible working arrangements to meet the expectations of young people that services should be available when they are needed, rather than when staff are available. These are changes that, with the consent of the contractor, might be negotiated within the existing contract, but might more easily be addressed by alternative arrangements.
37. Option 2 would delay action to meet the needs identified in the consultation.

Option 3: Carry out a thorough review of needs and redesign a specification for future tendering.

38. Nationally, much of the debate about the future of the Connexions service has focused on the decision about whether the existing procurement arrangements should be maintained or not. Less attention has been paid to the benefits that might be realised from redesigning the specification, or from inviting separate tenders for some but not all of the services provided by existing careers companies.
39. At a meeting on the 8 February with representatives of the Joint Venture Company that owns Guidance Services (VT and Enterprise Consulting), it was suggested that the authority should consider alternative forms of procurement, such as a partnering arrangement for some of the services provided by Guidance Services. It was suggested that this could, for example, include the Management Information System or Training and Development.
40. Should Executive wish to maintain the contract but re-design the service, the opportunity already exists for variations to be agreed.

Connexions is currently reviewing the Management Information contract and the authority has committed itself, in principle, to maintain the arrangements established for 07 - 08. Action is also being taken to rationalise the current arrangements for staffing the new Castlegate information and advice centre for young people.

41. The option to undertake a comprehensive review of the whole contract presents some practical difficulties. It would be difficult to establish new specifications and to complete consultation and tendering processes in time for the new service to be established by April 2008.
42. Option 3 offers the opportunity to meet all of the needs identified through the consultation but runs a risk of delay arising from the need for complex contract negotiations.

Analysis

43. Option 1 has been the option which has received most support from partners, through consultation and is compatible with the development of provision for young people in the city, with the agenda set by Youth Matters and with the desire to reduce management costs.
44. There is a misconception is that the Council cannot elect to carry out work itself unless it has bid for the work in competition with the private sector. Since the CCT regime was superseded by best value this is not the case. Competition can still be appropriate, of course, but only when the Council decides that it would be in the interests of best value to pit in-house provider against private sector provider. This is often established by employing a public sector comparator - price/quality model of in-house provision versus private sector bid.
45. Local authorities in other parts of the country are taking back in-house the Connexions Service. Other partnerships have already disaggregated the Connexions grant back down to local authority level and local authorities are taking over some of the services. Some continue to be delivered by contracted companies. There is no compelling evidence that an external provider would be able to deliver a better quality of service than the one currently delivered and the one proposed.
46. A decision in principle to approve Option 1 does not preclude the possibility that some parts of the current service might continue to be procured from external providers where a clear benefit can be identified.

Corporate Priorities

47. Connexions work contributes to the following priorities:
 - a. Increase people's skills and knowledge to improve future employment prospects

- b. Improve the health and lifestyles of the people who live in York, in particular among groups whose levels of health are the poorest
- c. Improve the life chances of the most disadvantaged and disaffected children, young people and families in the city
- d. Improve efficiency and reduce waste to free up more resources
- e. Improve our focus on the needs of customers and residents in designing and providing services
- f. Improve the way the council and its partners work together to deliver better services for the people who live in York

Implications

48. The Connexions funding currently supports 37.9 full time equivalent (fte) staff in the city. Of these, 27.4fte are employed by Guidance Enterprise Group, 8 fte by the council and 2.5 in the voluntary or other sectors. There are plans in hand by Connexions, from April 2007, to allocate a further 4.5 staff to the City of York Council and to remove the same number from the contract awarded to Guidance Enterprise Group. The implications arising from this report are largely concerned with this group of staff.

- **Financial**

49. Outline funding and financial implications have been set out in the body of the report. These will be finalised in the transfer documents (see below) with full details presented to the Executive prior to any financial decisions being made. All 3 options require the council to make arrangements in respect of any assets currently owned by NYCC for Connexions purposes and to reach agreement about the management and liability of claims which may arise in respect of Connexions business in respect of incidents which occurred before the transfer of the service from April 2008.
50. All Connexions contracts expire by 31 March 2008 and so there will be no ongoing contractual liabilities or responsibilities transferring to the city from that date.
51. In developing the new structure, it is assumed that there will be some reduction in existing management costs. The savings will be made in two areas. The staff who run the central Connexions Service are employed by NYCC. In the main, their functions will cease at the point that the Connexions Board dissolves itself and the responsibilities transfer to the two local authorities. The only issue which will remain is whether the staff who are mainly engaged in work in York will be eligible to be TUPEd into posts within the new structure proposed for York. It is likely that a small amount of staffing, with budget, would transfer to the city. It is expected that a significant management saving will be made here.

52. The transfer of GEG staff to the council would bring with them the local management capacity but would not bring over the staff with regional responsibilities. This would result in a small saving in staff costs, which would be added to the bigger saving in premises costs already referred to, above.

- **Human Resource**

53. If Option 1 were accepted there are a number of changes which will arise. These are the TUPE rights (Transfer of Undertakings (Protection of Employment) Regulations 1981) of current centrally employed Connexions staff and the staff employed by VT plc. Following a decision by Executive, work will continue to establish appropriate arrangements for the transfer of staff to the local authority.

- **Equalities, Crime and Disorder, IT, Property and Other**

54. There are no implications.

- **Legal**

55. Connexions is currently an integrated unit serving York and North Yorkshire. In 2008, part of the operation will transfer to CYC. The transfer is a consequence of changes in how the Connexions service is to be delivered but the transfer arrangements are not directly covered by regulation - rather they are an incidental of what is acquired. The transfer arrangements therefore need to be agreed by the two Councils. It is essential that NYCC and CYC identify what assets should transfer, when and upon what terms and this should be done in the form of a transfer document. Further Legal Services advice will be required to produce the relevant transfer document and terms.

56. NYCC will hold various assets for Connexions purposes and these may be owned, leased or shared with other NYCC users. The assets will take different forms - property, office equipment, IT, lease cars, intellectual property and work in progress.

Other implications

57. Private, voluntary and community groups will have the opportunity to tender for additional contracts through the new Young People's Service where it is believed that they offer the best value in service delivery and quality. A commissioning strategy will be developed which will consider using either the cheapest tender or the "most economically advantageous tender" criteria. Whichever criterion is selected it is essential that a robust and effective evaluation model is created before tenders are received.

58. The voluntary sector and other providers have indicated that they would prefer to have more secure funding arrangements than was possible under the current Connexions contracts. In particular, they have requested that the council explore three-year funding deals. There is no legal restriction on the length of term of a service contract. The longer the contract runs, the more resilient it needs to be to cover risks which foreseeably could arise during the contract's life. Such risks contain many different forms - level of inflation, changing demands, change in law, reorganisation, changes in provider status and so on. The contract needs to address such risks pre-emptively and stipulate how they are to be dealt with.

Risk management

59. The risks associated with this report are about security of funding and quality of service delivery. Funding has been set aside from both the Government Office and the Connexions Board in order for them to meet all liabilities at the point of transfer. The Director of Resources needs to be satisfied that this is the case and, in particular, that pension issues are adequately dealt with for any staff that transfer to the city.
60. Quality of service is an issue which is particularly affected by staff moral and security. Any proposed changes, particularly for staff in GEG, need to be managed in such a way that frontline delivery is maintained. These staff are already working in partnership and within an agreed strategy across the city and their managers are working hard to ensure that they are prepared for any changes to terms and conditions in the future.
61. Temporary funding has been provided by Government Office to employ a project manager to oversee the development of the new service. This will ensure that there is capacity to manage change without impacting on service delivery. The project management time will come from managers within the affected services, who have sound knowledge of the strategy being followed and of the services to be delivered.

Liabilities

62. Because staff and other assets are being transferred from NYCC to CYC the question of liabilities needs to be considered. These may be employment related claims or contract related claims.

Transfer Documents

63. NYCC and CYC staff will need to work closely together to arrive at a set of agreed terms to apply to the transfer. Working parties have been established by Connexions, involving specialist staff from both councils, to ensure that the disaggregation of staffing and budgets is done securely. It is essential that the terms be incorporated into one document which will be the definitive statement as to the terms which

will apply to transfer of staff and assets. The document will also deal with other related matters including how claims are to be dealt with. Approval should be sought from Members before the completion of a transfer document on terms agreed by the Director of Children's Services in consultation with Director of Resources and the Director of People and Improvement.

Recommendations

64. The Executive is asked to approve the following recommendations:
- i. To note the transfer of Connexions Service responsibilities to the local authority from April 2008
Reason: in order to prepare for the new responsibilities,
 - ii. To establish an integrated service for young people
Reason: to continue the strategy already developed and in order to streamline management costs,
 - iii. To integrate staff teams in locality bases
Reason: to provide a more accessible service to young people
 - iv. To continue to sub-contract some work to the private, voluntary and community sector
Reason: to purchase provision from those who can deliver specialist work beyond the scope and expertise of the council,
 - v. To manage the Connexions contract as a direct provider, as set out in Option 1, subject to continuing reassurance that this option represents an efficient use of resources available.
Reason: in order to establish the terms of reference for the transfer document and to authorise staff to carry out the related work programme,
 - vi. To review the operation of the current contract in order to establish whether there is a need to continue to procure specific services from external providers
Reason: to ensure continuity of provision and to maintain service quality.
 - vii. To receive a further report, from the Directors of Learning, Culture and Children's Services, Resources and People and Improvement once transfer documents are agreed with North Yorkshire County Council.
Reason: to make a final decision about the deployment of resources from April 2008 and to be satisfied that the council is not exposed to unfunded risks and liabilities.

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Report Approved **Date** 15/2/07

Specialist Implications Officer(s)

Financial Implications.

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HR Implications – under consideration by the Connexions Working Group

Legal Implications.

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Wards Affected: *List wards or tick box to indicate all*

All

For further information please contact the author of the report