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To: Cabinet - 16 July 2007

Subject: CONNEXIONS TRANSITION

Classification: Unrestricted

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Summary: This paper provides context for the decisions that must be made by KCC about Connexions Transition by the end of September. It seeks Cabinet's guidance to inform the planning work. Options for change are presented with the purpose of generating closer alignment in future with KCC's LAA targets and objectives including 2010 targets, 14-24 work and its developing IYS Strategy.

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## **Introduction**

1. (1) Connexions provides information, advice, guidance and access to personal development opportunities for young people. Its aims include ensuring young people make a smooth transition to adulthood and working life. Connexions must co-operate with the local authority as a "relevant partner" within the Children Act 2004. The funding for Connexions partnerships goes directly to every local authority area by April 2008. Further details about Connexions are in Appendix 1.

(2) Performance of Connexions services contributes to the Children and Young People's Plan, Annual Performance Assessments and Joint Area Reviews. Targets for Connexions performance are a part of the Kent Agreement Public Service Agreements. The Connexions service in Kent is successful, with most targets met every year since its inception - see Appendix 2.

(3) Funding for Connexions comes to KCC in April 2008. Decisions about the delivery of Connexions, including detail of the implications for staff and the specification for services must be made by KCC and made available to the Connexions Board of Directors and GOSE by the end of September.

## **Factors impacting on transition**

2. (1) KCC has the responsibility and accountability to develop a strategy for, plan and commission integrated youth support (IYS) services. IYS will include the delivery of Information, Advice and Guidance, (IAG) Targeted Youth Support (TYS), and Positive Activities for Young People (PAYP) as well as Connexions.

(2) GOSE expects that strong links be made between Connexions arrangements and YOS, DAAT and the spectrum of 14-19 arrangements. This means that the Connexions transition together with IYS/TYS developments provides the opportunity for KCC and the Kent Children's Trust to lead change and improvement and advance integrated service development and processes. GOSE advice on good practice for transition (based on the experience of those Local Authorities that have already gone through it) recommend the setting up of a Strategic Group for transition. See Appendix 3 for agreed Terms of Reference and representation on this Group.

(3) The national specification for services that **must** be provided by organisations in receipt of Connexions funding allows little leeway in changing the offer to young people. The specification is designed to support the achievement of Connexions targets that pass to the Local Authority together with the funding.

(4) The existing annual Connexions Business Plan is agreed by the Board of Directors (including young Directors). The Connexions ethos is heavily biased towards the direct engagement of young people in service planning and delivery. Young people in Kent are favourably disposed towards existing arrangements.

## **Risks**

3. (1) A detailed risk analysis and evaluation with identification of mitigating next steps has been undertaken for the Strategic Group. Main headings include:

(a) Human Resource Risks:-

- TUPE, Pensions and remuneration
- Staff retention and morale – impact on service performance
- Management capacity

(b) Financial Resources:-

- Budget allocation across Local Authority Areas
- Financial control
- Financial Commitments, Liabilities and Cut-offs

(c) Physical Resources:-

- Buildings and Premises, Furniture, Fittings, IT Equipment and ICT Communications/networking

(d) Information Resources:-

- Client Information System
- Information Sharing
- Financial Information

(e) Procurement, Commissioning and Contracting Risks:-

- Procurement and Commissioning Frameworks
- Contracting arrangements

(f) Strategic, Stakeholder and operational risks:-

- Stakeholder involvement and relationship management

(g) Critical Incident Risks:-

- Critical Incidents

- (h) Political and Policy Risks:-
- Future Connexions Funding

(2) A further meeting of the Strategic Group will take place after this Cabinet meeting. Miss Ann Allen will be the Member representative at this meeting.

### **Broad issues for the future**

4. (1) As the Connexions Partnership attains charitable status, it could continue to provide services to Kent and/or Medway at the same level or otherwise as determined by award of contract. New services could be provided to KCC or other purchasers provided that they were consistent with its charitable purpose.

(2) Many Connexions Partnerships across the country contract with private companies to deliver service. Businesses that provide Connexions are generally companies operating for profit. The experience of Connexions in Kent showed that the cessation of contractual arrangements with the then private provider released significant funding to the Partnership that was directed into frontline service delivery.

(3) Since Connexions is a company registered at Companies House, its Directors must act in the best interests of the Company and to exercise due diligence. The Company is funded predominantly through national grant. There is no provision for year on year roll-over. Consequently from April 2008 the Company has no funds unless contracts are made with it by Kent, Medway or other parties. Once funding transfers to KCC, KCC also inherits responsibilities for delivering **all** targets including NEETS. Should the Company be wound up, some limited funding is available nationally for redundancy payments (in the first year only). It is considered unlikely that the Director's Connexions Board would consider a single year contract with KCC to be viable in these circumstances. This is based on the experience of other Connexions partnerships in authorities that received funding in April 2007.

### **Short term options**

5. These do not include a full tender process. The scale of Connexions in Kent, the requirement on the Board of Directors for due diligence and the requirements on KCC in respect of procurement processes, mean that a full tendering process could not be achieved within the required timescale. Options then are:

- (a) Direct delivery of services by KCC, which would involve accepting TUPE transfer of staff and their associated pension issues by September.
- (b) Negotiated change with the Connexions Board to result in progressive change to aspects of service from 2008 combined with a new business plan/specification for later years to align Connexions activities more closely with KCC's objectives. This would include greater emphasis on quality careers advice for all 13-19 year olds. Initial legal advice suggests that KCC could offer the Board a two-year contract as preferred supplier without going out to tender. However, market testing is essential to ensure value for money and should be planned in the short term for development in the medium term.

## **Medium and longer term options**

6. These include (subject to further legal and financial advice):-

- Full or partial market testing of existing services
- Changes to the specification in regard to functions or focus on groups of young people.
- Direct delivery for some service elements. (In some authorities Connexions delivers youth service functions and in others the reverse is under consideration.)
- Development of Connexions as a Community interest company.
- An extension of locality based commissioning arrangements/delivery. Initially, however, this would also require TUPE of staff and pensions considerations.

## **How decisions will be made**

7. (1) It is expected by GOSE that the Strategic Group develops the joint remit, progresses it, and reports regularly to the responsible bodies. A timetable was initially developed that anticipated Cabinet consideration in June. Progress is being checked regularly by GOSE and this monitoring and links with the Joint Area Review.

(2) Financial details and workforce, liability and asset transfer will be recommended by the Strategic Group, for determination by the appropriate decision-making body or bodies. The Strategic Group will also advise on the risk analysis and avoidance strategy and maintenance of service delivery. GOSE "health checks" will assess this work.

(3) Cabinet, the Lead Member and Director of Children's Services clearly have a critical role in taking decisions. While the Children's Trust may not have a role in formal decision making, or accountability it has the potential to influence positively the likelihood of successful transition. The location of decision making and accountability is likely to require further legal advice for security. This is underway.

(4) Decision making in respect of the Connexions Partnership is vested in the Chief Executive and Directors of the Board (Trustees once charitable status is achieved). The Partnership is not obliged to provide services to KCC and KCC is not obliged to contract with Connexions. For KCC, it is assumed that legal responsibility lies with the Council since the duty of cooperation is with the Local Authority and funding is taken into the Local Area Agreement pool held by the Local Authority.

(5) Decisions on the commissioning arrangements would appear to be clearly in the hands of the (new) budget holder i.e. the Local Authority, since Connexions itself becomes a provider. However, this does not preclude discussion between commissioner and provider except during the procurement process. The Chief Executive of Connexions understands and accepts the need for change and considers it to be feasible to achieve this over a two-year period (without prejudice to any future Connexions Board decision).

## **Conclusions and Recommendation**

8. (1) The transfer of Connexions funding to the Local Authority enables closer alignment over time with KCC's objectives and in particular those of the Children's Trust. Planning for this alignment will be welcomed and in the medium term will undoubtedly support the attainment of better outcomes by children and young people.

(2) However, the degree of change possible in the short term is limited by the stringent nationally required specification for the service, the uncertainty about future funding and “fit” with other national initiatives. A tendering process could not be completed in time to achieve national deadlines.

(3) For the immediate future then, there is mutual dependence between KCC and the Connexions Service. From April, Connexions will be reliant on receiving funding to continue. While other funding may be brought into the service from sources other than the LAA, this will have to be derived from partnering agreements or won. KCC needs a reliable supplier to deliver essential services to support young people and its inherited associated targets, such as NEETs, and would be unlikely to find other single source providers. This situation will change over time as the market develops.

(4) The Connexions service is reliant on the continued confidence of its staff in the organisation. Considerable concern has existed for some time among Connexions staff about their job security and staff are already leaving in anticipation. A Communication Strategy has been agreed by the Strategic Group.

(5) In consequence of the above, to enable the national deadline to be met, **it is recommended that Cabinet AGREES** that the transition process undertaken by the Strategic Group:

- (a) focuses on sustaining existing provision in the short term in the interest of achieving key objectives and targets;
- (b) plans for market testing of services in the medium and longer term to ensure close alignment with KCC's priorities, the IYS Strategy and the Children and Young People's Plan;
- (c) that either:-
  - (i) the relationship with Connexions becomes that of preferred supplier with an offer made of a two year contract from April 2008. This offer to allow change in the first year within existing staffing as may be agreed and with further planned graduated change in line with KCC's overall policy objectives (see 6(b) above) during the second year; or
  - (ii) that KCC assumes direct delivery of Connexions Services.

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7 June 2007

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*Background Papers:*

None

**Details about Connexions and the requirements for the transition process**

1. Kent and Medway Connexions Partnership employs nearly 350 staff across Kent and Medway with a grant of £13.75m for both authorities. Kent's share is £11.53m. 50 more staff are employed through sub-contracts and work with the voluntary and community sector. The Community Chest funding for Voluntary and Community organisations is £562k with a maximum of £30k to any one organisation. There is some apparent overlap between this funding and KCC funding to the same organisations.
2. About half of Connexions work is IAG related. Provisional allocations for Connexions funding for 2008 to 2011 will be announced in late 2007 and confirmed in March 2008. Medway Local Authority is developing its own transition plan. The transfer of funding to the "Local Area Agreement pool" allows services to be delivered differently in line with local needs, priorities, and preferences.
3. Some Kent services are delivered via contract with the Local Authority, others are under contract to private and voluntary organisations. It is reported that commissioning services in some authorities that received grant in 2007 has delivered efficiencies and reconfiguration of services. In Kent, Connexions took over the private careers service in August 2004 and became a largely direct delivery 'not for profit' organisation. Savings realised from this enabled the employment of further Personal Advisers.
4. The Partnership is expected to achieve charitable status in the near future at which point, Trustees will be required rather than Directors. Charitable status restricts the percentage of Trustees from the Local Authority to 20% of the Board. It would be unlikely that Council Members could join the new Board (due to potential conflict of interest).
5. Transition must begin rapidly to allow planning for any necessary procurement and/or TUPE processes in the medium term. GOSE is using a rigorous Health Check process for Integrated Youth Support of which Connexions Transition is part. Notice of the precise nature of change envisaged for April 2008 must be given to Connexions and GOSE by September.
6. As recommended by GOSE, a Strategic Group is drawing up a transition plan for the purposes of:-
  - ensuring continuity of service, however it may be delivered;
  - determining the means by which the Local Authority plans to make the services available; and
  - Identifying any necessary realignment of services to achieve better outcomes.
7. The Children's Trust Board has considered a report on these issues and the Connexions Board is fully aware that the Strategic Group has met and consequently is expecting to discuss progress on this issue at its June meeting. In future, as a provider, the Board will expect to negotiate any contract offered.

8. The Local Authority has secured grant of £80K from GOSE to support transition. This funding will to be used for consultancy (e.g. legal advice) and consultation with service users and partners.

### Targets

Targets for Connexions Partnerships were negotiated on a Partnership basis. In many cases, there were no specific targets beyond 2004. The Partnership had a statutory accountability for NEETs and Not Known targets for the Partnership area (including Medway) for Kent and for Medway. These targets were all achieved.

Other progress is identified through a detailed report on the Business Plan which is available on request.

### **NEETS/Not Knowns 16-18<sup>1</sup>**

- PSA2 NEETs target (Kent) achieved 5.64% (target 5.75%)
- Partnership NEETs achieved 5.44% (target 5.70%)
- PSA2 Not Knowns target (Kent) achieved 5.2% (no reporting target)
- Partnership Not Knowns target achieved 5.17%% (target 5.2%)

### **Workforce Skills**

- Increase work-based learning NVQ successes. This has not yet reported for the full year but is on target. 2758 for 2005/2006 and 1401 for the first 6 months of 2006/07 LSC)

### **Teenage Parenthood (Kent Teenage Pregnancy Unit)**

- Reduce under-18 conception (PCTs).  
Figures show this has reduced by 9.7% between 1998 and 2005
- Increase number of 16-19 year old mothers who are EET (PCTs).  
There remain no reliable data. 840 known to Kent TP unit but under 300 will allow Connexions to record this status.

### **Substance Abuse**

- Increase the number of drug offenders entering treatment through the criminal justice system (PCTs and DAAT). Innovative DISP (drug intervention and support programme) and ASP programmes (alcohol) offering counselling and leading to the police not taking legal action.
- Increase number of young people misusing substances who receive intensive programmes of treatment and care (PCTs and DAAT)  
Substantial increase to 2,857 in February 2007

### **Evaluation of Connexions Contribution to Strategic Plans**

This has been undertaken against the Children and Young people's Plan, 14-19 Action Plan and the Local Public Service Agreement (LPSA2). The Management Information System conforms to CCIS compliance and will work towards an integrated management system with KCC with reference to ContactPoint and CAF.

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<sup>1</sup> NEETs achievement is in line with the Kent LAA for November 2008

**KENT CONNEXIONS TRANSITION STRATEGIC GROUP**

These draft terms of reference refer to the short -term process for Connexions Transition and will be reviewed in the light of the longer-term development of Integrated Youth Support in Kent

1. Develop a vision for Connexions Transition that supports the strategy to be developed for Integrated Youth Support in Kent, including the delivery of IAG, Positive Activities, and Targeted Youth Support.
2. Develop and ensure the implementation of a transition plan for the future delivery arrangements for Connexions as part of the wider plan for Integrated Youth Support.
3. Secure the engagement of key stakeholders (including young people) in developing the vision and transition plan.
4. Undertake a risk assessment of the impact of proposed options.
5. Develop a commissioning strategy in the light of emerging local Children's Trust arrangements.
6. Develop and ensure the implementation of a workforce strategy (to include TUPE, pensions, pay and conditions etc. where relevant)
7. Develop and ensure the implementation of a financial plan (to include where appropriate liabilities, transfer of assets).
8. Ensure clear and frequent communication with stakeholders in the transition process.

**Membership**

Mary Gordon	Independent Chair – Connexions Kent and Medway Board of Directors
Gordon Bernard	Chief Executive - Connexions
Joanna Wainwright	Chair
Barry Clout	Voluntary Sector representative
TBA	Senior HR Officer-Connexions
Richard Hallett	Senior Finance Officer - KCC
TBA	Senior HR Officer - KCC
John Case	GOSE representative
Nigel Baker	Head of Youth Service – KCC
Helen Jones	Project Manager – KCC
Angela Slaven	Director for YOS & KDAAT - KCC
TBA	Adult Social Services representative -KCC
TBA	14-24 representative - KCC