



Agenda Item:

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Report of the Director of Learning and Leisure

Executive Board Executive Board

Date: 20 September 2006

Subject: COUNCIL PARTICIPATION IN IGEN

Electoral Wards Affected:

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In

(Details contained in the report)

Executive Summary

This report proposes the Council reduces its participation in igen from a 40% stake at company Member and Board level with the right to appoint up to three Directors, to membership of igen with the right to appoint one Director, whilst maintaining protection for the not-for-profit status, and public purposes of the Company.

1.0 Purpose Of This Report

- 1.1 The purpose of this report is to propose changes to the level of Council participation in igen

2.0 Background Information

- 2.1 Igen is a private company limited by guarantee which has, as its core business, responsibility for the delivery of careers guidance to young people across the city. Igen's purpose is to manage and deliver contracts for public services which are free at the point of delivery to service users. Funding is secured through a range of Government streams including Connexions. The Company was formed in 1995, prior to this, the Council was responsible for the provision of careers education with the city.
- 2.2 The Council is a Member of igen, and has a 40% holding in igen. This enables the Council to appoint three Directors to the Board, and to have 40% of the votes at Board Meetings and General Meetings. It is also a requirement that the Council has a presence at Board and General Meetings in order for those meetings to be quorate. Other than the Council, Directors of the Company are also Members. None of the other Members or Directors of the Company, e.g. schools, business sector representatives or colleges have reserved voting arrangements.

3.0 Main Issues

- 3.1 The Corporate Governance Task Group of igen has recently reviewed the Company Membership arrangements as part of an overall assessment of the Company structure. In particular, the group considered the appropriateness of the current Membership model to meet existing and future business requirements. It recommended that igen should aim for a balanced Board drawn from the public and business sectors. There should however be no requirement for any specific organization (as is the case for the Council) to be a Member.
- 3.2 Igen has approached the Council to request consideration be given to revising existing arrangements. Potential conflict of interest through existing contractual arrangements between the Company and the Council (through its role in Connexions) has been cited as a factor.
- 3.3 Igen has stressed that whilst it wishes to seek the Council's support to amend the Company's Memorandum and Articles of Association to remove the existing reserved arrangements, the Company would wish to continue to have Directors from the Council.
- 3.4 Legal advice has been taken on igen's proposals from the Director of Legal and Democratic Services.

4.0 Implications For Council Policy And Governance

- 4.1 The implications of the reduced participation would be Council representation by a single Director on the Board and the removal of the requirement for a Council presence at meetings in order for such meetings to be quorate. The Director appointed by the Council would also be subject to the same retirement requirements as the other Directors.

4.2 The reduction in the Council's participation would mean the Council would not be able to 'block' any future Company changes, for example in relation to how Members or Directors of the Company were appointed. However the Council could still safeguard the Company's purposes and status. The Council would not require any payment from igen for reducing the level of its participation. By virtue of its status as a company limited by guarantee, igen is prohibited from making any payment to any of its Members or Directors (apart from items such as proper remuneration, out of pocket expenses etc).

5.0 Legal And Resource Implications

5.1 Under section 2 of the Local Government Act 2000, the Council has the power to do anything which it considers is likely to achieve the promotion or improvement of the economic, social or environmental well-being of the whole or part of its area, or all or any persons resident or present in its area, having regard to its community strategy (Vision for Leeds). This power includes power to participate in a limited company.

5.2 The proposals in this report represent a saving of resource at Member and Officer level, whilst maintaining an appropriate level of participation in igen.

6.0 Consultation

6.1 Consultation on the recommendations has taken place with existing Elected Members representing LCC on the igen Board, the Support Executive Member (Children's Services), the Chair and Chief Executive of igen.

6.0 Conclusions

6.1 Although the current arrangements were appropriate at the time of the Company formation, given the passage of time and the Council's reduced profile in the Company, there is little benefit to be gained in maintaining the current level of involvement.

7.0 Recommendations

7.1 It is recommended that:

- A: the Council reduces its participation in igen to being a Member of igen with the right to appoint One Director to the Board
- B: the Council should have the same voting rights as other Members and Directors, and that meetings should be permitted to be quorate without a Council presence
- C: the Council should safeguard its original 'investment' in igen and igen's public purposes by a provision in igen's constitution that any change to the fundamental objects of igen or to its status as a not-for-profit company, would require the agreement of the Council.