

**APPENDIX 2**
**Connexions Services – Evaluation Matrix**

<b>Issues</b>	<b>Derby City/ Derbyshire County Council In House Service</b>	<b>Single Local Authority Owned Company</b>	<b>Separate Individual Local Authority Owned Companies</b>	<b>Third party contractor appointed following procurement exercise</b>
Legal framework	Discharged under LA statutory framework.	Ordinary company status. Separate legal entity.	Separate legal entities.	Separate legal entity/entities.
Governance	<p>Service direction set out in Children and Young People's Plans, statutory duties and guidance from DCSF.</p> <p>DCC/City Cabinet approval process.</p>	<p>Service direction set out in Children and Young People's Plans, statutory duties and guidance from DCSF.</p> <p>Delivered via contracts between the City/County Councils and the Company.</p> <p>Controlled by Board of Directors.</p> <p>Needs a strong agreement between the City and the County on service direction and delivery. Voting rights to be agreed either 50/50 or 72/28.</p> <p>Need to address LA Directors' potential conflicts of interest.</p> <p>Independent partners participation.</p>	<p>Service direction set out in Children and Young People's Plans, statutory duties and guidance from DCSF.</p> <p>Delivered via Individual Contracts between DCC and the Company and the City and the Company.</p> <p>Controlled by Board of Directors.</p> <p>Need to address LA Directors' potential conflicts of interest.</p> <p>Independent partners participation.</p>	<p>Service direction set out in Children and Young People's Plans, statutory duties and guidance from DCSF.</p> <p>Contracts between DCC and the Company/ Companies and the City and the Company/ Companies.</p> <p>No guarantee of DCC or City representation on the Board.</p>
Procurement/Market Testing	Council function no need to market test.	Providing that it can be demonstrated the activities	Providing that it can be demonstrated the activities	Market testing via OJEU procedure.

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		of the company are directly related to the Councils' business and the company is controlled by the local authorities, no need to market test.	of the company are directly related to the Councils' business and the companies are controlled by the local authorities, no need to market test.	Will need to re-tender an expiry of contract.
Timescales	New structure to be effective from December 2008.	Interim arrangements (i.e. no change in service provision) April 2008. Potential restructured integrated service to be effective from December 2008.	Interim arrangements (i.e. no change in service provision) April 2008. Potential restructured integrated service to be effective from December 2008.	Service specifications drawn up. EU Tendering procedures.  New service to be effective from September 2009.
Funding	Current Connexions grant available for investment DCC £6m Derby City £2.3m  Discussion underway with the LSC regarding 14-19 funding provided to Connexions.	Available for investment £8.3m. Need an agreement how this is allocated (Derby City's contract is for £2.3m – 28%).	DCC company has £6.0m available  Derby City company has £2.3m available.  Discussion underway with the LSC regarding 14-19 funding provided to Connexions.	Individual contracts agreed between the provider(s) and the County and City Councils.  If the company has charitable status may be able to apply for grant funding and is eligible for reduction in business rates.
Transition costs	Financial – Staff transfers (TUPE) and restructuring, transfer of leases and licences (legal expenses).  Potential short term	Minimal in the short term subject to changes to commissioning.  Some transitional costs depending upon eventual	Financial – Staff transfer (TUPE) and restructuring, transfer of leases and licences (legal expenses)  Other transitional costs	Financial – Commissioning and re-tendering processes, contract management, possible staff transfers (TUPE) and restructuring, possible

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	disruption of services and risk to achievement of LAA targets.	service delivery model.	depending upon eventual service delivery model.	transfer of leases and licences.  Disruption – potential short term disruption of services and risk to achievement of LAA targets.
Flexibility/ responsiveness	Service can easily be shaped to meet current and future needs, via Cabinet decision making processes.  Able to integrate with other services and expand/ refocus easily and quickly.	Service can be shaped to meet current and future needs through commissioning and contracting process.  Integration with other services may be more complex.	Services can be shaped to meet current and future needs through individual Council's commissioning and contracting process.  Integration with other services is more complex.	External organisation(s) able to respond to requirements for services subject to agreement on specifications and contracts.  Integration with other services is more difficult.
Partnership perspective	Agenda guided by Children's Trusts.  Less opportunity for current partners to directly influence the decisions reached by the Councils.	Agenda guided by Children's Trusts.  Opportunity for partners to attend Board meetings in an independent non voting capacity.	Agenda guided by Children's Trust.  Opportunities for partners to attend Board meetings in an independent non voting capacity.	Agenda guided by Children's Trust.  Potential opportunity for partners to be involved in delivery of the service. If service delivered by a single company opportunities may be limited.

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Implications for LAA targets	Potentially strong integration of delivery to meet targets.	Potentially slightly less strong integration of delivery to meet targets which can be minimised subject to the commissioning process.	Potentially slightly less strong integration of delivery to meet targets which can be minimised subject to the commissioning process	Weaker integration of delivery to meet targets which can be minimised subject to the commissioning process.
Branding/ marketing	Possible option to consider re-branding services as DCC/Derby City subject to DCSF guidelines.	Can continue with existing brand image or change to reflect it is a local service.	Could continue with existing brand image or change to reflect it is a local service.	Service provided by independent company/companies. Need to consider public connection to both Councils and the Connexions brand.
Exit arrangements	Both Authorities have flexibility as to how they provide the service in the future	Specified in the contract. Agreement needed as to how liabilities and assets would be allocated. TUPE arrangements for employees. Notice period to be determined.  Potential for greater complexity	Specified in the contract. Assets and employee liabilities to transfer to the appropriate Council subject to TUPE. Notice period to be determined.	To be specified in the contract. Re-tendering - TUPE arrangements may apply.
Integration of operational activities with other LA services.	Potential full integration with other LA services.	Potential integration with other LA services but management structure/reporting lines may be more complex than in house arrangements.	Potential integration with other LA services but management structures/reporting lines may be more complex than in house arrangements.	Purchase of a specified service, limited integration with other LA services.

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QA/Planning/ Performance Management	<p>An integrated delivery model would allow the merger of the County/City arrangements and the existing ones in Connexions.</p> <p>There should be resulting economies of scale.</p>	<p>Some scope for integration of functions. May involve a more focused approach to commissioning services and monitoring outcomes.</p> <p>Could be some economies of scale.</p>	<p>Some scope for integration of services. May involve a more structured approach to commissioning services and monitoring outcomes.</p> <p>Could be some economies of scale.</p>	<p>Strong focus on commissioning services and monitoring performance.</p> <p>Less scope for efficiencies.</p>
Operational Management	<p>Integrated delivery model to be devised. May reduce overall management costs but may lead to limited replication of some functions and costs across the Councils.</p> <p>Would need an agreement as to which Council staff would transfer.</p>	<p>There may be some scope for savings but as the company will be a separate entity this is less than in the in house models.</p>	<p>There may be some scope for savings but as the companies will be separate entities this is less than in the in house models. A two company approach may be more complex/more expensive to manage than a single company approach. Would lead to replication of some functions and costs across the companies.</p>	<p>If the contract was let to a single company scope for savings would be reduced.</p> <p>Market testing the service though may encourage the bidders to review their overhead costs.</p>
Staff impact	<p>Employees will transfer to either of the two Councils. Integration with other Council services will cause some turbulence.</p>	<p>Employees will continue to be employed by Connexions and would experience least turbulence under this model and depending upon the service delivery model current expertise would be</p>	<p>Employees will transfer to new companies. Some turbulence. Decision to be made as to where support services and management employees transfer.</p>	<p>Employees will transfer to a new company/companies. This model could cause most turbulence. The pensions provision for current staff would need to be addressed.</p>

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		maintained.		
Single Status	Employees will be subject to the County and City Councils' job evaluation criteria.	Comparisons could be drawn with equivalent LA roles.	Comparisons could be drawn with equivalent LA roles.	Not applicable. To be reviewed.
Pensions	The pensioners to be treated as fully funded and remain in the pensions fund as former Connexions employees with an agreement from the two councils to underwrite any future fund shortfalls. Pension fund liabilities would be met by the County/City Councils. The deficit at the time of transfer could be apportioned on the basis of the current split of core connexions funding (DCC 72% Derby City 28%) and absorbed into each Council's share of the pension fund. Should be no overall impact on the level of the two authorities' pension contributions.	No change to the current pension fund arrangements with pension liabilities remaining with the company. Would need an agreement between the City and County Councils on how the liability would be dealt with if the arrangements ceased. The arrangement should have no overall impact on the overall level of pension contributions.	The pensioners to be treated as fully funded and remain in the pensions fund as former Connexions employees with an agreement from the two councils to underwrite any future fund shortfalls. Pension fund liabilities transfer to the two new companies with the fund deficit apportioned on the basis of the current split of core funding. Each council to underwrite the associated deficit. The arrangement should have no overall impact on the overall level of pension contributions.	The pensioners to be treated as fully funded and remain in the pensions fund as former Connexions employees with an agreement from the two councils to underwrite any future fund shortfalls. Employees transferred to new company on the basis that their current pensions are fully funded. No guarantee that they will remain in the local government pension scheme but likely that the company/companies would seek admission body status in the LGPS. Pension fund deficit to be apportioned on the basis of the current split of core funding and borne by the County and City Councils' share of the pension fund. Agreement required with the County and City

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				Councils to top-slice the service funding and make repayments to meet the deficit.
Future Trading surplus/ deficits	To be retained/ funded by the respective Councils	To be retained/met by the company from reserves. Could be recovered via future year's contracts  Company could be required to build up reserves to meet future liabilities (there would be a cost associated with this).	To be retained/met by the company from reserves. Could be recovered via future years contracts.  Companies could be required to build up reserves to meet future liabilities (there would be a cost associated with this).	To be retained by the company/met from reserves.
Taxation	VAT Recovered.  Corporation Tax not payable.	VAT Recovered.  Corporation Tax may be payable – may be to structure the company so that surpluses generated on Council business are exempt.	VAT Recovered.  Corporation Tax may be payable - may be to structure the company so that surpluses generated on Council business are exempt.	VAT Recovered.  Corporation Tax payable.
Support Services	Integrated with DCC and Derby City support services. Economies of scale should be realised subject to TUPE.	Scope for purchasing support services from DCC/ Derby City. Potential scope for savings to be agreed. TUPE may apply.	Scope for purchasing support services from DCC/ Derby City. Potential scope for savings to be agreed.  TUPE issues for existing support services staff (which company do they transfer to?)	Would utilise own arrangements. TUPE issues for existing staff?

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IT/MIS	<p>Will need to use existing databases and associated systems. Integration with LA systems would be easier.</p> <p>Would require disaggregation of existing arrangements.</p>	<p>Will need to use existing databases and associated systems. Integration with other LA systems may be more complex.</p>	<p>Will need to use existing database and associated systems. Potential duplication/loss of economies of scale.</p>	<p>Will need access to existing databases and associated systems. Integration with LA systems would be more difficult.</p>
Property	<p>Leases novate to the County and City Councils subject to terms and conditions of lease. Landlords' consent likely to be required.</p> <p>Need a decision on whether leases expiring within a year should be renewed</p> <ul style="list-style-type: none"> <li>• Bolsover</li> <li>• Shirebrook</li> <li>• Normanton Road, Derby</li> <li>• Bath Street, Ilkeston</li> </ul> <p>Scope for rationalisation.</p>	<p>No change to property leases.</p> <p>Future scope for rationalisation.</p>	<p>Leases novated to the two companies, subject to landlords' agreement.</p> <p>Some scope for rationalisation.</p>	<p>Position on existing leases to be established.</p>
Assets	<p>Agreement as to how physical assets will be distributed. (Fixtures and</p>	<p>Remain in the ownership of the company.</p>	<p>To be transferred to the two companies.</p>	<p>Fixtures and fittings to remain in situ and be used by the new provider(s).</p>



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	fittings and computer equipment). Any net current assets (cash) may be used to reduce pension fund deficit.			Agreement over computer equipment required. Any net current assets (cash) to be used to reduce pension fund deficit.
Liabilities (other than Pension Fund)	Transferred to the two Councils. Need to ensure adequate insurance arrangements.	Remains with the company.	Transferred to the two companies. Need to ensure adequate insurance arrangements.	Not transferred to the new provider. Need to ensure adequate insurance arrangements.
Risks	<p>Potential loss of current expertise in service provision.</p> <p>May be less able to attract pan-Derbyshire funding.</p>	<p>DCC and Derby City may not agree the level and direction of service provision.</p> <p>Potential future procurement challenge.</p> <p>Blurring of responsibility between County/City and company may lead to uncertainty of liability.</p>	<p>May be less able to attract pan-Derbyshire funding.</p> <p>Potential future procurement challenge.</p> <p>Blurring of responsibility between County/City and companies may lead to uncertainty of liability.</p>	<p>Less strong position to agree changes in service provision and correct under performance.</p> <p>Potential loss of current expertise.</p> <p>Insolvency</p> <p>Continuity of service as a result of re-tendering.</p> <p>Contract to determine liability but residual client responsibilities remain.</p>