



Developing an entrepreneurial culture – the CORMAC way

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1.0 Our drivers for change

Our number one priority is to deliver services for Cornwall Council and to ensure that those services are aligned to the Council's vision, priorities and business plan

Political drivers – CC wanted to maintain control and after studying other similar Authorities and did not consider outsourcing an option

Facilitates individual and shared services improvement models – more accountability and greater efficiency

Financial pressures and need to transform service delivery but with minimal impact on front-line services;

The need to embed commercial credentials into the way our teams operate ensuring we are more entrepreneurial and risk focussed

A desire to build on a public sector ethos by keeping the new company aligned to the Council service strategy

Financial driver – dividend rebate return to Council for reinvestment

Our vision is trusted to deliver sustainable solutions safely

Creating Employment Opportunities/supporting SME's

For Cornwall doing nothing was not an option

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2.0 The conflicts: the devil is in the detail

- Making the right decision – business case;
- Defining the services – what is included and why;
- Deciding the governance and performance outcomes;
- Gaining support – engaging the client, local members and especially empowering staff;
- The right leadership to grow the company– maintaining focus on the key objectives;
- Expanding talent management, to ensure the staff have the right skills – some of the best ideas come from the workforce;
- Maintaining alignment to the Council and building on corporate social responsibility;
- Ensuring meaningful contract arrangements are in place.

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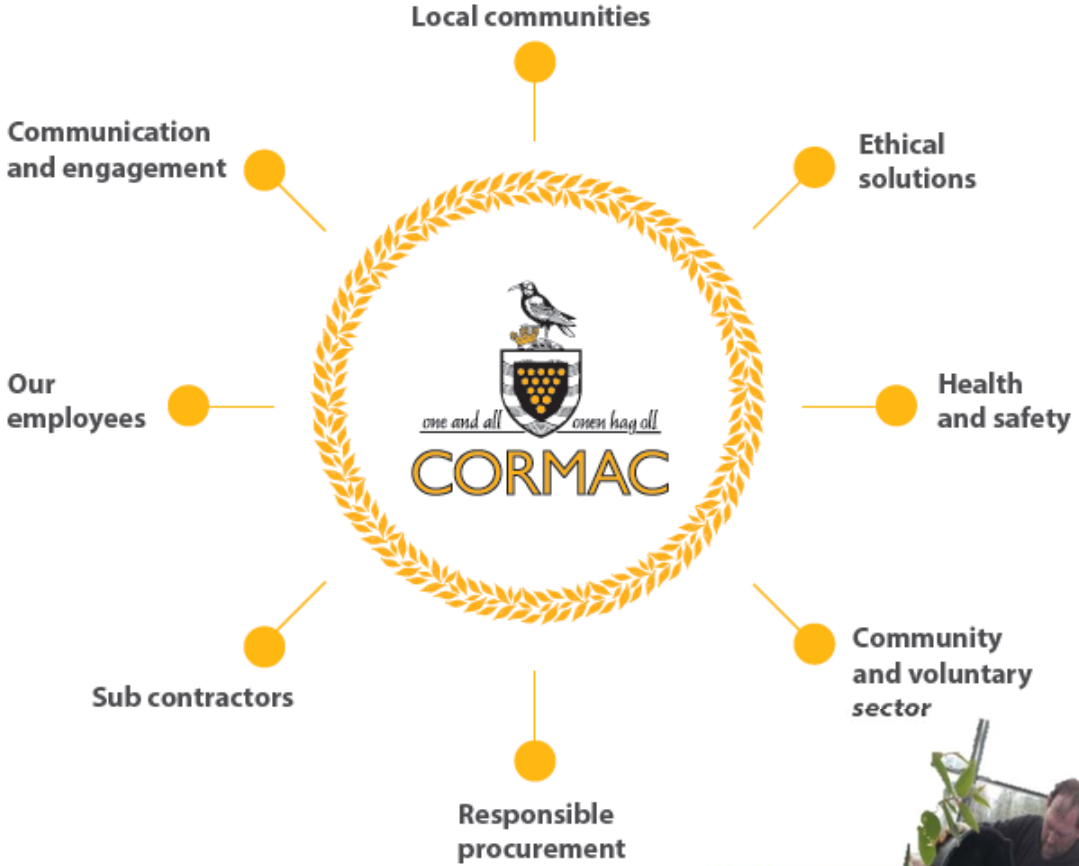
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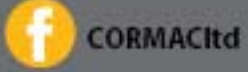
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2.1 Maximising social responsibility within budgets



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2.2 Public service ethos underpinned by commercial credentials

- Shift from balancing end of year budgets to managing costs, achieving a margin and returning a dividend;
- Increase productivity by encouraging staff to connect with our purpose and have freedoms to make decisions and manage risk;
- Enhance commitment to our local community through affordable social responsibility;
- Market ourselves by being true to our values and ethos.

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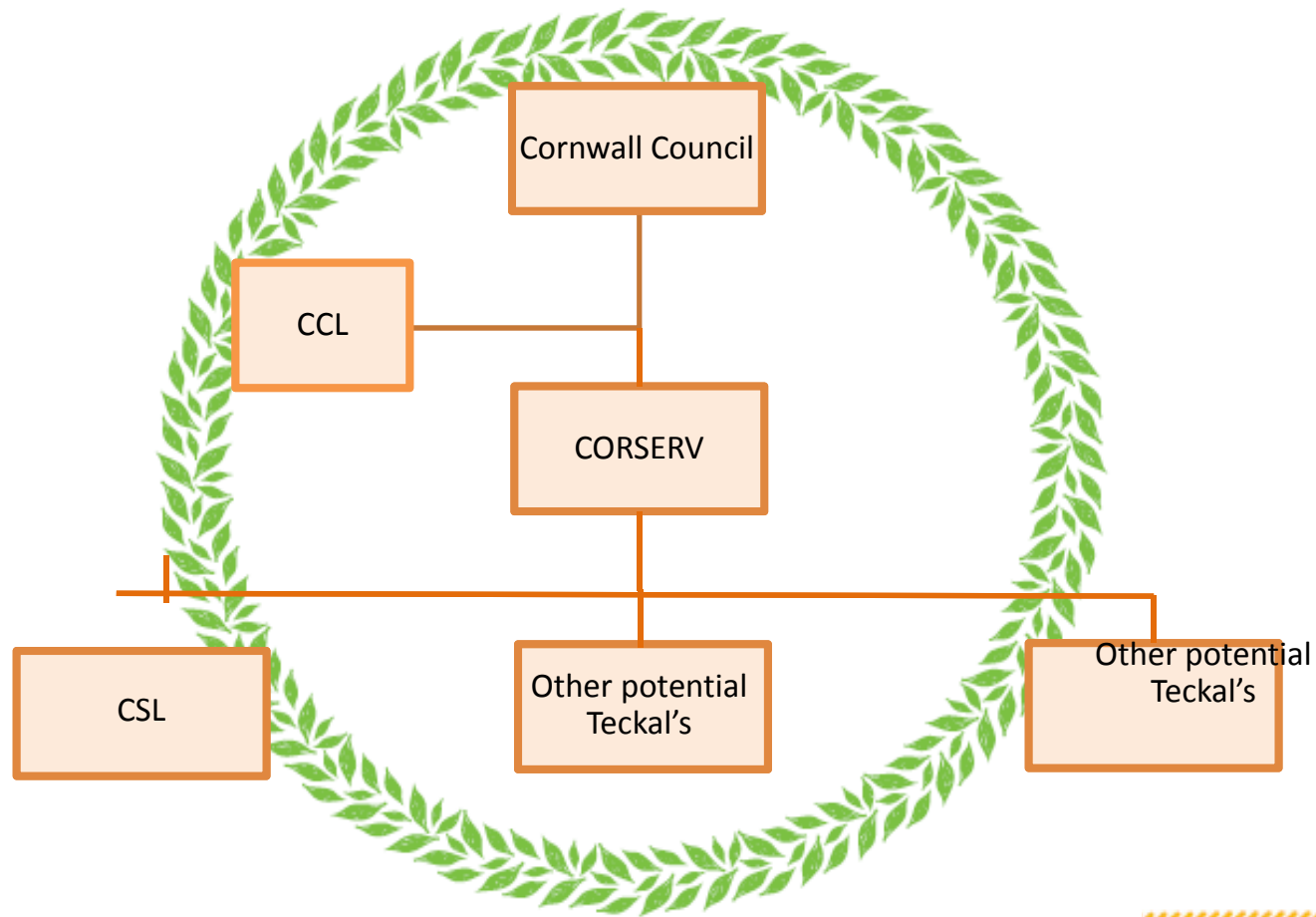
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3.0 The new structure



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3.1 Legal - Recap of the Principles of Teckal (EC Directive adopted 14 April 2014)

- Ownership: The company must be owned by a local authority or authorities without any private sector participation in ownership. For the JV a 51:49 split in CORSERV's favour – why
- Control: The local authority or authorities must exercise over the company a level of control which is similar to that which it exercises over its own departments
 - Influence over strategic objectives affective Articles of Association, Reserve Matters etc.
 - Control by a "legal person" in the same way as the authority
 - Member influence / involvement
- Function: More than 80% of the activities of the controlled legal person [JV] are carried out in the performance of tasks entrusted to it by the controlling contracting authority/ies or by other legal persons controlled by that activity"

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3.2 Our CORMAC Arms Length Companies

- **CORMAC Solutions Ltd:** Wholly Owned and Controlled Company, operating under the “Teckal” Exemption, providing Services to Cornwall Council via a Contract for Services;

*“The parent authority/ies must exercise over the company a control which is similar to that which it exercises over its own departments”; and
“The company must carry out the ‘essential part’ of its activities with the controlling local authority or authorities”*

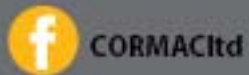
- **CORMAC Contracting Ltd:** Trading Company set up under Section 95 of Local Government Act 2003 – trading with third party clients.



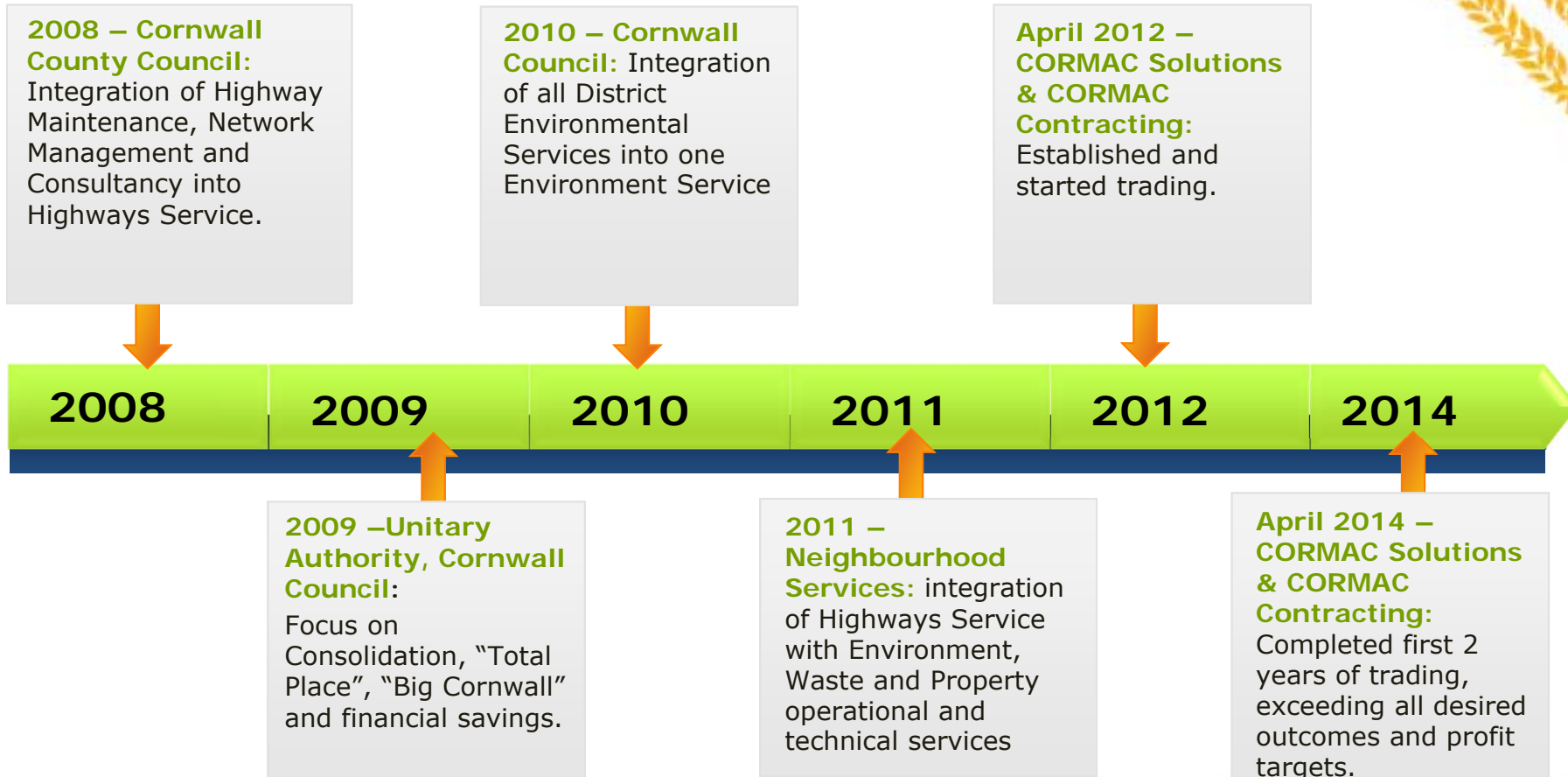
3.3 The CORMAC model explained

- Our model is proven to be a successful income generating company, wholly owned by the local authority;
- Employees are instilled with the importance of taking an entrepreneurial approach to service delivery;
- Priority has been given to maximising the impact of CORMAC on the local socio-economy;
- We have over 50 apprentices and continue to develop the skills in our workforce and we also work with disadvantaged people;
- We have a performance culture which breeds and rewards innovative solutions;
- We generate income to reinvest into local services.

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3.4 Our journey



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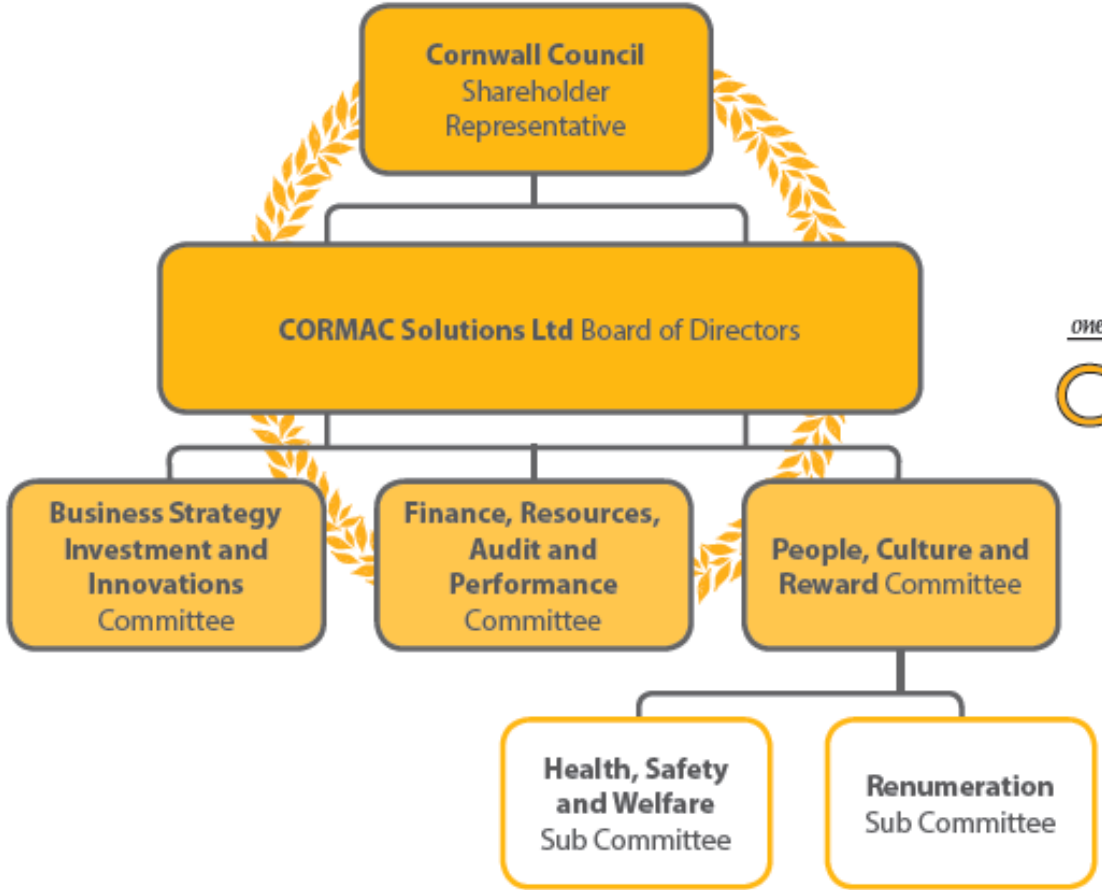


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3.5 Our governance



3.6 What have we achieved

- In the first two years we have doubled our turnover and returned nearly £12m to our shareholders;
- Re-invigorated our staff, increased job opportunities by 17%;
- Reduced the management structure by 22%;
- Increased our client base significantly; and
- On target to achieve our return again in 2015, which the council can once again re-invest back into local services.



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3.7 What are the benefits



Good staff incentive to succeed resulting in higher salaries, bonus payments and share options



Accesses skills and resources of the private sector



The opportunity for our talent to grow and master leadership competencies for our future



The structure has an indefinite life and will provide the basis for capturing long term value and relationships



All profits are returned to the council in the form of dividend or rebate which allows the council to reinvest in other services.



As a wholly owned company local authority Members can easily remain actively engaged



Limit the liabilities of the authority



Strong alignment with vision and priorities of parent authority.



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4.0 Why we are different

- Not private or public but the best of both worlds;
- Our competitive advantage is maximising our commitment to our communities and being able to generate a return which is invested in local services;
- We create added value for the Council via our very strong commitment to social responsibility;
- We take on the risk and financial accountability;
- We can deliver cost savings, and improve services; and
- We have proved to be sustainable with long term stability and security.



Our vision is trusted
to deliver sustainable
solutions safely

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4.1 How does our approach provide opportunities for entrepreneurialism?

- It facilitates entrepreneurialism through a true flexible contractual arrangement with the client;
- It allows you to manage peaks and troughs through up to 20% external trading;
- Performance is incentivised as part of the companies rewards package;
- Good business management is still at the heart of ensuring an outcome focused approach;
- It allows collaboration with likeminded organisations;

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4.1 cont...

- Additional work opportunities outside the Council are widely available and this keeps the company focused and commercially challenged;
- Teckal ensures the risk sits with the best company able to mitigate the risk;
- The key to Teckal is to clearly define the level of service required, agree the costs and then drive efficiencies to reduce costs and increase profit but not at the price of cutting corners;
- Our competitive advantage is our public service ethos underpinned by commercial credentials

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Questions?



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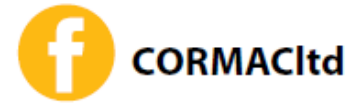
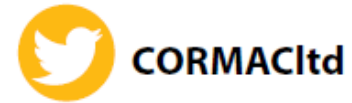
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