

Appendix 3: Future Service Delivery Model

1. Specific actions relating to the proposed Alternative Delivery Vehicle that were endorsed at cabinet in June 2013 and subsequent progress is given below:

Action description	Progress
<p>B.1 Review the legal advice and define the appropriate legal vehicle for the Company by 31/7/13</p>	<p>Luan Kane (CEC Interim Company Lawyer) has advised the set up of the WOC as a Teckal exempt company, limited by shares.</p> <p>The Project Objective is therefore to create a wholly owned company (WOC), limited by shares, to deliver Environmental Operations and Fleet based services on behalf of the Council:</p> <ol style="list-style-type: none"> a. That is Teckal exempt, b. That operates in a performance based environment (performance framework to be developed) that delivers high quality services to the residents of Cheshire East at market tested rates; c. That is commercially viable in the longer term; d. That contributes to the £2.5M in efficiency savings required at programme level; e. With a planned go live date of January 2014. <p>This option recognises the benefits and dis-benefits set out in the options appraisal provided in the June cabinet report. (Further details are available from the report author). It seeks to mitigate risks to the council of any state aid allegations while still offering the option of up to 10% trading capability.</p>
<p>B.2 Define and draw up the Company objects; set up the Company as a separate legal entity and establish its Memorandum and Articles of Association by 31/8/13</p>	<p>Company now incorporated.</p>
<p>B.3 Define the HR; Financial and Legal implications of the company set up; transfer of</p>	<p>Work has been on-going from mid July onwards to understand the implications of the new delivery model.</p>

<p>staff and the service contractual agreements;</p>	<p>Work stream activities have been identified and in-year funding is available for this from existing transformation budgets.</p> <p>Benefits: Compared to pursuing an outsourced model, forming a WOC offers better value for money in both the short term (up to £500K less cost) and speed of set up is significantly quicker. In the longer term the benefit of any on-going efficiency savings and trading capability would be fed back to the council in the form of dividends lowering the real cost of delivering the service and offering value for money for residents without compromising on quality. We anticipate being able to make savings relating to Support Services costs in the region of 5-15% once the proposed “incubation period” has expired.</p>
<p>B.4 Develop a three year business plan for the company and set objectives against which its performance will be measured</p>	<p>This will be completed with a view to Shareholder Board approval no later than December 2013 assuming a planned go live date of January 2014.</p>
<p>B.5 Define and develop the arrangements between the Council and the Company for all/any support services required and draw up any required service agreement(s).</p>	<p>This will be completed prior to proposed TUPE transfer, currently forecast as January 2014.</p>

2. In scope for the proposed Environmental Operations Wholly Owned Company (WOC) are:

- a. Waste & Recycling Management Services
- b. Fleet Management Services
- c. Streetscape (previously part of major change project 6.2) including the Mechanical Sweepers, Grounds Maintenance and Street Cleansing
- d. In addition, we are still defining, with the relevant service areas, where it would make sense to transfer staff from the Corporate Support Services and alternatively which services will be provided on a “buy back” basis in line with the proposed Corporate Core “incubation period”. HR and Legal advice will be taken on this prior to final

decisions being made as to which staff are eligible to transfer to the proposed WOC.

3. Out of Scope:

- a. Bereavement (which is the subject of a separate project)
- b. Public Rights of Way
- c. Countryside

4. **Start date:** The proposed wholly owned company is expected to start formally trading from January 2014. The company has now been incorporated. We anticipate TUPE transfer of staff during January 2014. The proposed WOC will have responsibility for delivering the forecast efficiency savings that are to be realised during 2014/15 and 2015/16 with further savings anticipated as the company becomes less reliant on the Council's corporate services and begins to penetrate new market opportunities on a commercial basis achieving greater utilisation of resources and annual dividend payments back to the Council.

5. Risk Implications

Top Risks for the WOC are Capacity, Ambitious Timescales, Business Plan Formulation, Scope and ICT causing delays and potentially undermining long term company viability and delivery of anticipated benefits. Strenuous efforts are being made to mitigate these, partly through funding from the transformation budget which will allow the project to be appropriately resourced.

6. Legal Implications

Working closely with the Legal Services team to minimise the risk of any State Aid allegations. In addition, actively monitoring any new business development proposals to mitigate the risk of not fulfilling the criteria for Teckal exemption.