



Working with you



www.cormactd.co.uk



Arthur Hooper
Managing Director

Executive Summary

CORMAC is proud to employ the people at the forefront of the services you use each day - whether it is the roads, schools, parks or the beaches. In fact almost everybody in the South West will benefit from at least one of our services today.

Today CORMAC is one of the most highly-regarded, trusted and well-known companies in the South West. We are committed to delivering cost-effective and innovative solutions which add value to our communities, clients, partners and people.

We have ambitious plans to continue to grow to safeguard our financial stability and long-term security to ensure we can continue to invest in the things that matter to us and our customers.

We build long-lasting relationships with our customers, listening to them and working alongside them from start to finish, to deliver tailored solutions which not only meet their needs but also support our local communities.

Our back office expertise underpins all our services, meaning we have the ability to design services and then deliver them. With one of the broadest range of services in the south west, we are also able to offer stand alone or bundled solutions for clients.

Our strength lies in seeing every aspect of a job through to completion, using all the knowledge, innovation and best practice at our disposal.

We also take pride in investing in our employees and actively support and develop the people who work for us. We are committed to future proofing our business and our industries by building the teams of the future. We run dedicated graduate and apprenticeship programmes helping young people to gain life skills for tomorrow.

'Putting safety first' is one of our core objectives and at CORMAC we embed a health and safety culture that promotes safe working practices. Nothing is more important to us than protecting our employees, customers, suppliers and members of the public.



Contents

1. Our background	3
2. Why choose CORMAC for Nottinghamshire	5
3. Why the need to change	6
4. CORMAC today	7
5. Our future	8
6. Our credentials	9
7. What people say about us	10
8. Our senior management structure	11





1. Our background

CORMAC has created value by working in partnership with our clients to drive down costs, whilst still improving services. We also work with our communities and the voluntary sector to build capacity for resilience, self-sufficiency and safer communities, and engage and invest in our workforce for long-term success.

It is our intention to increase added value in 2015/16 by continuing to deliver desirable outcomes for our communities, working with small and medium enterprises and contributing to economic growth by supporting people back into work and enhancing skills in the workforce.

We provide highway and environmental design and maintenance services, design and construction of major highway schemes, and facilities services including property maintenance, cleaning and caretaking services. CORMAC also provides fleet management and maintenance, quarried stone and aggregates and laboratory services. We deliver these services to Cornwall Council, other public bodies and a portfolio of private clients including major civil engineering contractors and consulting engineers.



We exist to add value to the community and we have been very successful in doing this.



For every £1 we spend £0.86 is re-invested back into the economy where we operate.



Our journey of becoming a limited company started in August 2009 when Cornwall Council (the Council) commenced a review of services provided by its Neighbourhood Services Directorate.

The review sought to combine service delivery, which culminated in bringing the operational elements of transportation, waste and environment into one service by mid-2010. In April 2011, the newly-created operational part moved into the Communities Directorate thereby splitting the strategic client from the operational delivery team.

In July 2010 the Council declared that it would become a commissioning authority and would consider how the direct services it provided at that time should be delivered in the future.

This led to senior managers in both the client and service provider considering how the then 'in-house' service delivery model would look in the future taking into account Cornwall's geographical isolation.

In December 2010 we embarked on a process of review, challenge and considered contemplation as to the best method of delivering the services that had been previously scoped and included in the 2010 consolidation exercise.

The services included in the 2010 consolidation were the following:

- school crossing patrols;
- highway maintenance;
- environment including grounds maintenance ;
- street cleaning (part);
- domestic Waste Collection (part);
- beach cleaning;
- property Cleaning;
- property Maintenance ;
- design consultancy;
- quarry operations; and
- fleet management and maintenance.



During 2011, the new client team and the operational delivery team considered the available options and the client decided to put the domestic waste collection and street cleaning elements to the market. This was won by Cory. The in-house operational team came second with a resultant loss of income and committed staff.

This was a clear message to the delivery team that the status quo was no longer an option and that we had to address quickly what was seen by some as a delivery model not offering good value.

Therefore from our initial considerations in December 2010 we developed and fine tuned a suite of options. Through a peer challenge gateway process and preparation of detailed business cases, we concluded that setting up a Council-owned company trading under the Teckal exception would represent the best option for Cornwall.

Under this arrangement a significant amount of work would be passported to the new company. In July 2011 this was presented to the Council and approval was obtained to move to the implementation stage with CORMAC Solutions Limited (CSL) decoupling from the Council on 1st April 2012.

(It should be noted at this stage that the gateway process did show that the amount of external work available to the new company could not exceed that allowed under the Teckal exception. For that reason we also set up a second company, CORMAC Contracting Limited (CCL), which is not a subject of this paper as the host Council does not passport work to that company, CCL was set up under Section 95 of the Local Government Act 2003).

From July through to April 2011 an implementation programme was developed to prepare for the new company. This was completed in the winter of 2011/12 with CSL commencing trading on 1st April 2012.



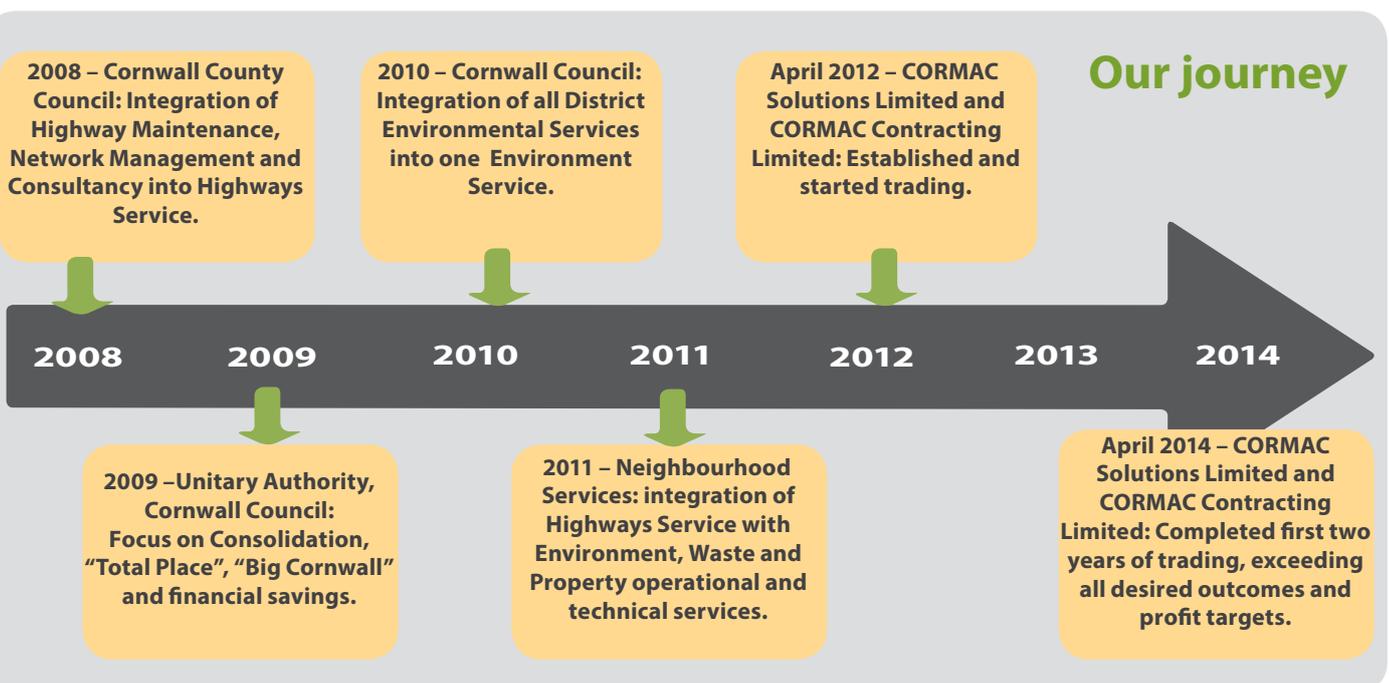
Through working together and standardising,

this year alone we will achieve a saving to the Council in excess of £1m.



After three years of trading CORMAC has made a significant contribution to the Council's saving

Our journey





2. Why choose CORMAC for Nottinghamshire

CORMAC has been delivering highway services through a competitive arrangement since 1992 and has extensive experience in this area. We are the right joint venture partner for the NCC Highways business. This experience and the successful outcomes we have delivered in Cornwall are directly transferrable to Nottinghamshire. Our public sector service ethos combined with our tight commercial focus will enable us to deliver a robust highways business capable of competing with established private sector competitors in the region.

We will after a comprehensive review, introduce a new organisational structure that will place responsibility and accountability where it is needed. Teams will have clear targets to achieve and be empowered to meet those targets.

When we introduce new ways of working, and specifically our Hub work allocation processes, coupled with our financial management system Summit, the empowerment of the teams will help us respond more quickly and deliver work to a higher standard. We will also introduce two other top-end construction industry systems, Causeway and Entropy, therefore driving down management costs to NCC.

Getting jobs right first time, every time, will reduce the cost of remedial tasks and also free-up management time to focus on innovation and performance improvement in other areas. A key component of this will be the introduction of commercial accounting principles to the business. Our strong Commercial expertise in finance, estimating and cost value reconciliation (CVR) and the use of Commercial management accounts, reported in near "real time", will give managers the information they need to control their business and react in a timely way.

In Cornwall, our managers understand the true cost of each task and because of our commercial focus they work hard to keep our cost base down whilst delivering work at the quality the customer demands. We will bring this focus to the management team in Nottinghamshire. And with this focus on the costs of the business we will reduce waste and inefficient practices. We will assist in the development of a revised Highway Service Maintenance Plan and ensure that we deliver the service to match it. This focus on delivery will help us drive down the annual £1.6m insurance cost of Highways claims made by the public.

We expect to be able to drive out significant savings from the £11m pa Lafarge Tarmac contract and through the buying power of a much larger combined organisation drive similar efficiencies as we procure materials and services from others. With a much-enhanced design and consultancy capability there will be further opportunities to drive savings and improved output.

Nottinghamshire County Council is fortunate to have a committed and well trained work force in the business and we will provide the opportunities for them to reach their potential. As Highways specialists we will introduce a company-wide training programme that is focused on the needs of personnel in that sector. Our programme will start at apprenticeship level, through supervisory and management grades and up to and including Directors. There will be opportunities for individuals' careers to develop at a pace that suits not only the needs of the Group but at a place to suit the individual.

The Teckal arrangement allows the business to exploit any efficiency it introduces and compete in the wider market. Our growth focus will be in adjacent and near-adjacent public bodies including local authorities, housing associations and the Highways Agency. Teckal allows the business to trade up to 20% of its revenue externally and this represents £8m based on a £40m annual turnover. Our initial market analysis indicates that with our current South west success rate there is more than enough work in the region for us to reach this target in the first five years of operation. Nottinghamshire will share in the profits that this new business will generate. Our bidding expertise will be a key factor in securing this work.

In all that we do, Safety is paramount. Since CORMAC was established three years ago our H&S performance has improved and that trend continues. We will ensure the joint venture has a similar focus.



3. Why the need to change

The challenge

Amid turbulent economic conditions, the public sector is expected to come up with drastic cost savings, widespread efficiencies and innovative ways of working, while avoiding a major impact on the communities they serve. Politicians of all parties agree that the public and private sectors must work more closely together to help steer a course through today's tough economic conditions.

About £170m of savings have been made at Cornwall Council since 2009 whilst for the most part, protecting front line services. It has been innovative and adopted new ways of working including setting up arm's length companies to trade and generate income.

However, grant funding from the Government is expected to be cut by approximately 30% over the next four years which, coupled with rising demand and costs, intensifies the financial challenge. An effective response to this challenge will mean increasing diversity in the way we provide public services and support for communities to play a bigger role in shaping and providing services.

Many authorities are facing up to the reality of further cuts in service budgets. Having already trimmed, reshaped, redesigned and refocused, the fundamental truth is that there is still much more that needs to be done and it's getting tougher.

Future cuts in service are bound to leave gaps of unaddressed demand. With eligibility criteria tightened, the demand remains but the provision isn't there.



For Cornwall doing nothing was not an option



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



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



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



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



Creating Employment Opportunities/supporting SME's



4. CORMAC today

As explained previously CORMAC is designed, through its two companies, to deliver value-added services for the Council and to trade in the open marketplace.

What makes us successful

- We are built on a model of 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 economy;
- We have over 50 apprentices and continue to develop the skills in our workforce;
- We have a performance culture which breeds innovative solutions;
- We generate income to reinvest into local services.



Why we are different

- Not private or public but the best of both worlds;
- We offer the best of the commercial and the Council models;
- We take on the risk and financial accountability;
- We can offer cost savings improved services; and
- Long term stability and security.

What we have achieved

- In three years we have doubled our turnover and returned nearly £12m to our shareholders;
- Kept our staff and increased job opportunities by 17%;
- Our successes in tendering last year resulted in winning £11.2m out of a possible £18.7m of work in 2014/15;
- Reduced the management structure by 22%;
- Increased our client base significantly; and
- Ensured we returned our dividend to the Council which they have been able to reinvest into services.

What are the benefits

- Good staff incentive to succeed resulting in higher salaries, bonus payments and share options;
- As a wholly owned company local authority Members can easily remain actively engaged;
- All profits are returned to the council in the form of a dividend or rebate which allows the council to reinvest in other services;
- Accesses skills and resources of the private sector;
- The structure has an indefinite life and will provide the basis for capturing long term value and relationships; and
- Limit the liabilities of the authority.



5. Our future

We have to move forward, develop and improve as a company in the coming years if we are to achieve long term sustainable success. There are a number of areas that we will focus on to continue to remain competitive and drive company change, as set out below:

Meeting our Shareholder and Council Client expectations

We exist to add value to our Shareholder. We have been very successful in doing this over the last three years and have achieved a turnover of over £110m. By managing costs, improving productivity and widening our customer base, we will also be returning nearly £7 million to our Shareholder in 2015/16 and a similar sum in 2016/17. This will help them in meeting budget pressures and support frontline services for the residents of our communities.

Grasping new opportunities, maintaining business flexibility and recognising where we need to diversify in order to adapt to changing circumstances and markets

In terms of moving the business forward, we are seeing a stronger national construction and building industry, linked to a reducing revenue spending at the local authority level. As a result, our 'Collaborative Teckal' opportunities continue to develop. Furthermore a number of national investments relating to the Cornwall and Isles of Scilly Local Enterprise Partnership 'Strategic Economic Plan' and 'Growth Deal' have been announced and the start of the new EU investment programme is anticipated.

We continue to win contracts across the South West, which is bringing added financial value to our business and our Shareholder at a time when budgets within Cornwall are reducing.

Delivering business efficiencies

We have continued to work with staff to increase productivity and ensure we are focusing our efforts on our priorities. In support of this, we are introducing new technology to ensure mobile staff have access to information and the resources they need in a timely manner. This will also help improve the utilisation of vehicles and plant.

Brand awareness and presence - selling our expertise and ensuring our brand and what we can offer is fully understood

We have grown significantly since our inception and provide many more services than the people of Cornwall may know about. It is important that we build a lasting relation with our public, who consume many of our services, and also builds sustainable relationships with our supply chain.

Building on organisational change

Of course we could not do this without our committed staff and we continue to invest in them. This will ensure that our people, at all levels, are: encouraged to maximise their potential; to contribute to our future success as a business; and to add value to our communities in a socially responsible and sustainable way.

We still remain very passionate about making a meaningful positive impact on our communities and our added value of our engagement with partners and our local communities in which we operate.



We will work in collaboration with local communities, local groups and the voluntary sector to provide new innovative solutions



We are seeking to build and maintain good long term relationships with our stakeholders including our staff, the Council and our public



6. Our credentials

We pride ourselves on the quality of our services and ensure that safety and sustainability are embedded in our delivery model. This is underpinned by the application of an integrated management system, which incorporates the maintenance of nationally recognised industry standards.

CORMAC has successfully been accredited to the ISO 9001 Quality Standard, the ISO 14001 Environmental Management Standard and the OHSAS Occupational Health and Safety Standard for over ten years. We have also been successful in more recent times in achieving Investors in People (IIP), demonstrating how much we value our people and our commitment to our extensive workforce. This ensures that regular internal and external audits are carried out on all aspects of our work.

Our credentials are dependent on our people's commitment and the highly skilled workforce we have delivering our services. Our staff surveys have consistently shown that 84% of CORMAC's people are prepared to go the extra mile and are committed to delivering CORMAC's vision.

We have also been fortunate to have attracted, developed and retained people and teams who have some of the best qualifications and experience in the industries in which we operate. This has proved important in what has become a very competitive employment market in the last twelve months and is expected to remain so well in to the near future. CORMAC credentials are proving to be at least as good as our larger competitors and this puts us in a very credible position for the future.



CORMAC has a strong track record of working proactively in partnership with local government authorities.



We work in collaboration to provide new innovative solutions

Jobcentre Plus - Case Study

CORMAC has worked with Jobcentre Plus for the past 2 years providing eight week 'work experience' placements in a number of our operational and community activities. A number of individuals engaged through this programme have since joined existing teams within our Company.

This has offered those seeking employment the unique opportunity to gain valuable work experience and to develop important skills for the workplace whilst also gaining an insight into working for a large local employer.

Martin Williams, Employer Engagement Manager for Jobcentre Plus, said:

"CORMAC have been champions of our work experience programme and this has given many jobseekers the chance to gain new skills, an up to date reference and a chance to get back into the routine of work. Work experience has been a highly effective springboard for jobseekers to return to work."





7. What people say about us



I recently had the pleasure to visit Cornwall for a holiday. I am compelled to write to complement you on the quality of your roads - I'm sure they must be the best in Britain! Not only were they well maintained and smooth but I found the road markings and signage clear and extremely helpful to a visitor. In addition, where two lanes were provided there were clear signs to direct motorists to 'merge in turn' thus avoiding the road rage I often experience in other locations. We were blessed with beautiful weather while we were in Cornwall which helped to make our holiday complete. You can be sure we will return. Thank you and well done. David Ashcroft, Wigan



I would like to express our gratitude on behalf of the residents of this area for the efficiency with which the resurfacing work at Par Green/Moreland Rd, Par was carried out. Through careful planning and the expenditure of a little bit more work in installing temporary ramps an excellent job has been done in a very difficult location with far less inconvenience to road users than any of us thought possible. Would you please pass on my appreciation to all involved in the planning and execution of this work. Councillor David Hughes



Thank you so much for your help with regard to cleaning the edges of the road at Gwennap Churchtown. Please would you also thank the driver of the big yellow sweeper, he seems to have uncovered an extra three or four feet of road width in parts. It does restore our faith in human nature when someone goes the extra mile to help. Once again my sincere thanks. Murray Smith



Wow! what superb service! I was surprised and delighted when out in the car this afternoon to see the pothole had been filled in less than 48 hours from me emailing you! Ted Moore
Please convey my thanks and the gratitude of the residents of Henwood to your team



I would like to thank all CORMAC's staff for all their hard work and dedication in ensuring CORMAC remains successful in times of challenge and uncertainty for local government. They have continued to provide job opportunities for the people of Cornwall. Currently employ in the region of 1,650 people, which includes fifty apprentices, technicians and graduates - benefiting both companies' growth strategy and the local economy.

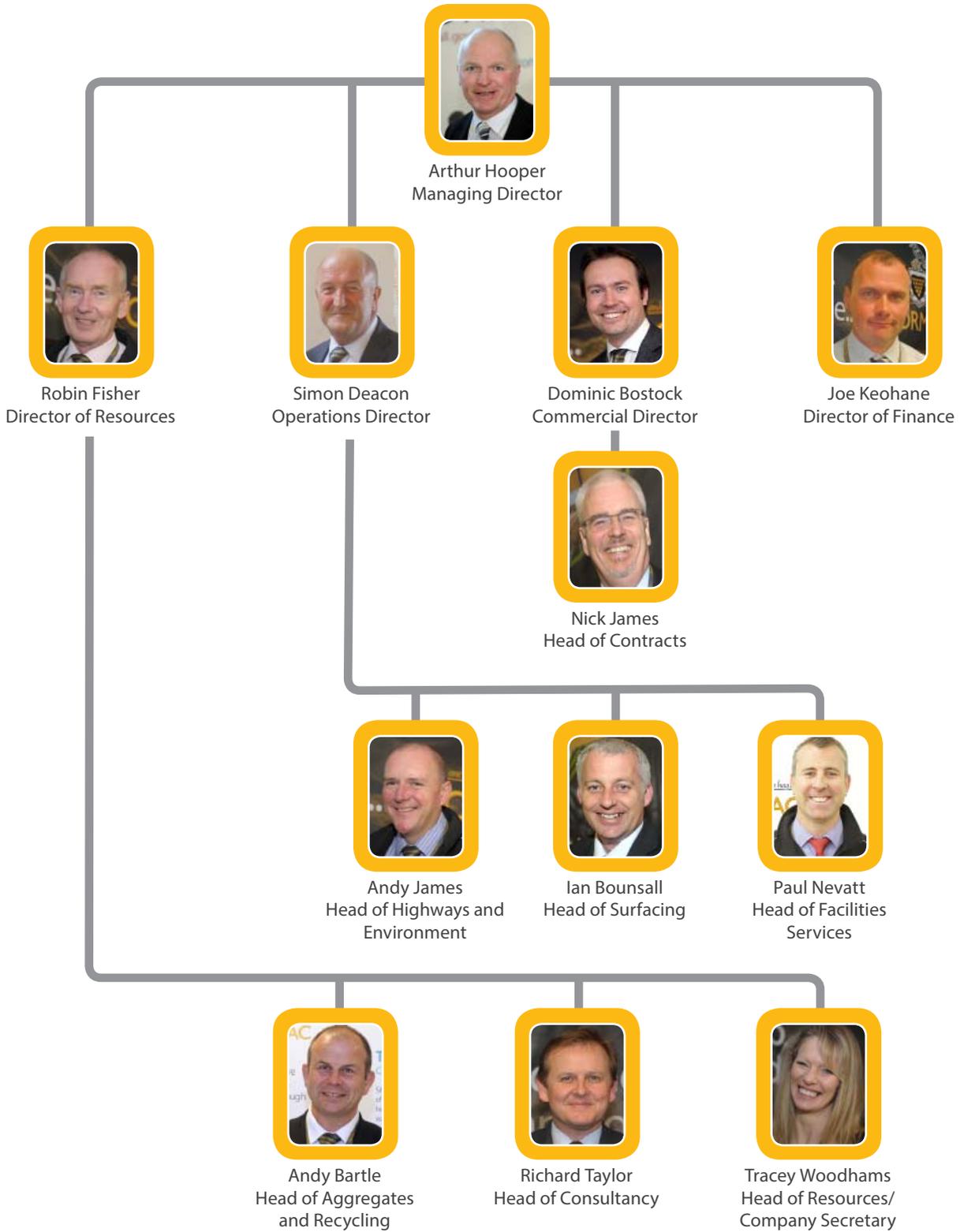
Paul Masters Assistant Chief Executive



I just wanted to say thank you to you and the team who look after our grounds here at St Maddern's. The team does a great job and our grounds are looking great and I wanted you to know how pleased both the governors and myself are about this.



8. Our senior management structure



 Collaboration delivers significant cost savings

 Accesses skills and resources of the private sector

 Ability to enter into other contracts and generate other income from external sources and deal in assets

 Public sector ethos with commercial strength

 It is our corporate responsibility to ensure we operate in a safe, sustainable manner that is socially responsible and respectful of the environment.

CORMAC Solutions Ltd and CORMAC Contracting Ltd
Head Office, Castle Canyke Road, Bodmin, Cornwall PL31 1DZ

Tel: 01872 323 313 Email: customerrelations@cormacltd.co.uk
www.cormacltd.co.uk



April 2015

Printed on recycled paper.

