Governance

1. Once final authority has been given by Nottinghamshire County Council and Cornwall Council for the joint venture company to be established, Cornwall Council would create a company, to be called CORSERV, of which CORMAC Solutions and the new joint venture company would be subsidiaries.

2. The new joint venture company board would consist of four statutory directors – two non-executive directors from CORSERV, two non-executive directors from the Council – and two non-statutory directors who would be the new company managing and operations directors.

3. The board chair would be one of the CORSERV non-executive directors who would also have a casting vote.

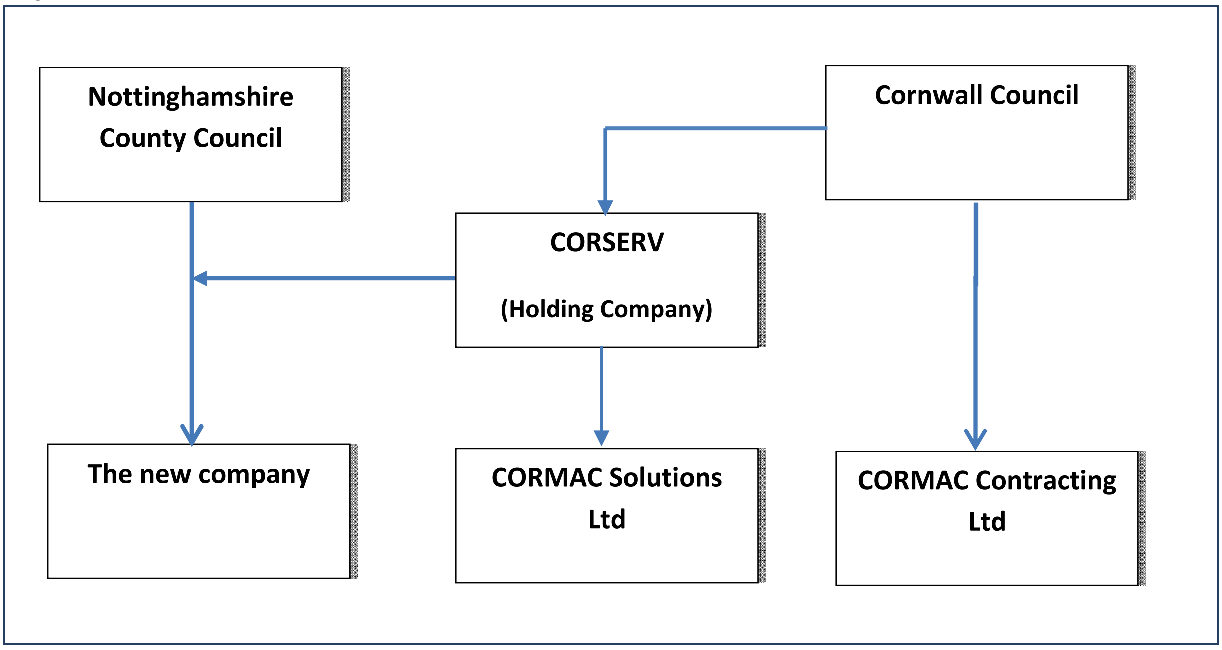
4. The new company managing and operations directors would be appointed by a CORSERV non-executive director and a council non-executive director.

5. The new company managing director and operations director would be non-statutory board members.

6. The new company managing director would report to the board chair.

7. The Council would be represented on the CORSERV board by one of the new company non-executive directors.

Figure 1



There will be contractual relationships for the delivery of defined services for each of the three companies shown and CORSERV.

8. The new joint venture company and CORMAC Solutions Ltd would be subsidiaries of CORSERV, sharing certain overhead costs and benefitting from the purchasing power of CORSERV.

9. The new company would be 51% owned by CORSERV and 49% owned by Nottinghamshire County Council making it a subsidiary of CORSERV. Subsidiaries are separate, distinct legal entities for the purposes of taxation, regulation and liability. The benefits include having access to the buying power, technical expertise, marketing and employees of the parent company.

10. Ownership is not the same as control. Control of the new company would be exercised in several ways, including through the company board, the service contract and the reserved matters.

Figure 2

The new company

Board

Non Exec Director (CORSERV)	NCC Chief Executive
Non Exec Director (CORSERV)	NCC Director (eg Finance Director)

11. A set of **Reserved Matters** – activities which cannot proceed without unanimous shareholder approval – would be enshrined in the Joint Venture contract. These would include controls on:

    - Expenditure
    - Acquisition and disposal
    - Entering into contracts
    - Loans and financing arrangements
    - Altering or ceasing business
    - Guarantees and indemnities
    - Shareholdings
    - Branding / intellectual property
    - Corporate matters
    - Appointments and remuneration of directors

- Example: the new company would not be permitted to take a loan above a certain threshold (to be agreed) without seeking unanimous shareholder approval, thus enabling the Council to exercise control over the level of risk-taking by the company.

- Example: The requirement for unanimous shareholder approval before the company could establish new contracts above a threshold (to be agreed) would enable the Council to exercise control over the company's business links.

12. Through the Transport and Highways Committee, the Council would also:

    - Set highways policy
    - Receive quarterly performance reports
    - Approve the network capital programme

13. A key consideration in setting up the joint venture would be quality of service. The performance required by the Council would be described in the service contract between the Council and the company, in the form of a service specification including performance measures, customer satisfaction levels and suitable mechanisms for non-performance. The company would be required to provide periodic reports to the Transport and Highways Committee on its operational and financial performance, ordinarily presented by the managing director.

Human Resources

1. **Engagement with staff and unions:** Following the Options for Change paper, an initial staff and union consultation was undertaken. Staff briefings were also undertaken. A regular communication has been introduced using the Emailme system which includes providing answers to staff and union questions. Engagement would continue throughout the process of transition.

2. **Employee roles and numbers:** This project would affect approx. 690 direct employees (approx. 580 FTEs) of the Council who would transfer to the new company. The transfer would apply to employees at all levels and may include some employees who do not work in Highways Division and Fleet Management / Maintenance. The exact cohort to transfer would be identified as part of the implementation plan and any changes tracked in line with TUPE regulations.

3. **TUPE:** The Council would comply with TUPE regulations. Transferring employees would be directly employed by the new company. Their current terms and conditions of employment would be protected in accordance with the TUPE Regulations 2006 (and amendments).

4. **The Living Wage:** The Council adopted the Living Wage for direct employees from April 2014 and requires this provision to be protected under future service delivery models. It would also be paid to new employees of the company. These requirements would be enshrined in the joint venture agreement. Payment of the Living Wage is not extended to indirectly employed staff, suppliers or contractors.

5. **Alternative terms and conditions:** Notwithstanding the Living Wage, new employees would join the new company on Terms and Conditions to be decided by the company. These would be available for existing employees to transfer onto should they wish.

6. **Pension:** The new company would apply for admitted body status into the Nottinghamshire Local Government Pension Scheme with existing scheme members continuing and existing employees who are non-scheme members retaining their right to join at a later date. It is intended that the scheme would be open for new employees but on a discretionary basis.

7. **Pension deficit:** The Council would take responsibility for the historical deficit and the company scheme would commence on a fully funded basis. The company would assume responsibility for any future deficit. The contribution rate is expected to rise from 13.2% of payroll to 14.6% of payroll based on a guideline valuation undertaken in Dec 2014. A further valuation would be undertaken once the TUPE list has been compiled. There would be no effect on the contribution rate for employees.

8. **Contribution rate:** The future service contribution rate of 13.2% for the Council is not expected to alter significantly and it would continue to meet all of the monetary deficit contributions of approximately £13 million.

9. **Company pension:** As an alternative to the LGPS scheme, the new company would make available the CORMAC group pension scheme to existing employees, whether members of the LGPS scheme or not, and to new employees. The company scheme operates on the principal of a 6% contribution by the employee and 6% by the employer. To encourage employees to start saving, there is provision for employees to make a contribution of 3%, but the company always contributes 6%. If an employee wishes to contribute more than 6% this is done in consultation with the group's pension consultant.

10. **Employment Policies:** The new company would have a set of employment policies, including disciplinary and grievance procedures, health and safety policies, pay and pensions, working time, attendance, equality and diversity, bullying and harassment, security. Following TUPE transfer existing terms and conditions of employment will continue to apply to transferring staff unless they chose to move to different terms and conditions.

11. **Local employment and training:** As far as possible the new company would employ local people and locally based SMEs, thereby contributing to the local economy. It is acknowledged that investing in a skilled workforce would pay dividends, so training including technical and management skills would be a central plank of the new company business plan. A training and development programme would be created in conjunction with the joint venture partner to begin to deliver cultural change early on in the lifetime of the company.

12. **Flexibility and reward:** The new company would seek to increase direct employment. Freed from organisational restrictions (e.g. on rewards and flexibility to employ) it would be able to create reward packages linked to performance for key roles, subject to compliance with Equal Pay legislation. Following TUPE transfer existing terms and conditions of employment will continue to apply to transferring staff unless they chose to move to different terms and conditions.

13. **Management skills:** The joint venture partner would bring expertise and ideas to the new company which would contribute to the cultural change required. Managers who transferred into the company from the Council would be expected to embrace change, extend their skills, provide leadership and become role models for the values of the company. Where necessary additional skills were not available internally, the company would seek these from the marketplace at the earliest opportunity.