

<b>Transferring Services from Enterprise Managed Services Limited to Peterborough Limited</b>
<b>Councillor Seaton, Cabinet Member for Resources, in consultation with Councillor Cereste, Cabinet Member for Waste and Street Scene</b>
<b>January 2019</b>
<b>Deadline date: N/A</b>

Cabinet portfolio holder:	Councillor Seaton, Cabinet Member for Resources, in consultation with Councillor Cereste, Cabinet Member for Waste and Street Scene
Responsible Director:	Annette Joyce, Service Director Environment and Economy Pete Carpenter, Acting Corporate Director for Resources
Is this a Key Decision?	Yes Unique Key decision Reference from Forward Plan: KEY/21JAN19/03
Is this decision eligible for call-in?	NO (Waiver of Call-in Procedures Invoked)
Does this Public report have any annex that contains exempt information?	NO
Is this a project and if so has it been registered on Verto?	YES

### R E C O M M E N D A T I O N S

The Cabinet Member is recommended to:

- a) Transfer services from Enterprise Managed Services Limited to Peterborough Limited as follows:
  - **Building Cleaning** on 2 February 2019;
  - **Passenger Transport** on 1 April 2019;
  - **Waste & Recycling Collections** on 1 April; and
  - **Building Maintenance, Street Cleansing and Grounds Maintenance** 4 May 2019
- b) Approval of the budget implications of these changes as detailed in Section 8 of this Report, and that they are reflected in the Council Medium Term Financial Strategy for agreement in the February 2019 Cabinet meeting.
- c) Agreeing the change, where cost effective or by requirement, of purchasing assets by Peterborough City Council instead of Peterborough Limited and making these available to Peterborough Limited.

- d) Agreement for the extension of the Enterprise Managed Services Limited contract in order for it to continue delivery of Services in the transition period.
- e) Delegating authority to the Director of Law and Governance in consultation with the Director of Resources and relevant Service Director to make decisions and enter into legal agreements necessary to give effect to the arrangements set out below.

**1. SUMMARY OF MAIN ISSUES**

- 1.1 This report is submitted to the Cabinet Member for Resources to approve the transfer of services from Enterprise Managed Services Limited (EMS) to Peterborough Limited and to approve financial implications.
- 1.2 This report is for Councillor Seaton to consider exercising delegated authority under paragraph 3.4.4 of Part 3 of the constitution in accordance with the terms of their portfolio at paragraph (f).

**2. PURPOSE OF THIS REPORT**

- 2.1 The purpose of this report is to seek approval from the Cabinet Member of Resources and the Cabinet Member for Waste and Street Scene to approve the new transfer arrangements of services currently performed by EMS. This new approach will see services transfer from 2 February 2019 through to the 2nd May 2019. There will be cost implications, which are set out in this report.
- 2.2 With the approval of the Chairman of the Growth, Environment and Resources Scrutiny Committee waiver of call-in procedures have been invoked to suspend the 3 day call-in period.
- 2.3 It has come to the attention of the Chairman and the Monitoring Officer that the CMDN authorises signature of a Deed of Variation which extends the Council's contract with Amey enabling the proposed phased approach to be taken. In order to extend the existing contract the Deed of Variation must be signed by close of business on Friday 1st February 2019 and consequently the decision has now become urgent in order to give effect to that.

**3. TIMESCALE**

Is this a Major Policy Item/Statutory Plan?	<b>YES/NO</b>	If Yes, date for relevant Cabinet Meeting	<b>N/A</b>
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**4. DETAILS OF DECISION REQUIRED**

- 4.1 This Cabinet Member Decision Notice proposes that the Cabinet Member for Resources and the Cabinet Member for Waste and Street Scene approve a revised transfer arrangement and additional costs for services currently performed by EMS.

**5. CONSULTATION**

- 5.1 The Council continues to undertake consultation with relevant stakeholders including: trade unions, affected EMS staff, Cabinet Members and the Corporate Management Team.

**6. ANTICIPATED OUTCOMES**

- 6.1 The anticipated outcome is one that allows a smooth transfer of services upon termination of the EMS contract which would provide better value and control than previously considered.

## 7. REASONS FOR RECOMMENDATIONS & ANY RELEVANT BACKGROUND INFORMATION

- 7.1 On 23 July 2018 Cabinet approved the creation of a local authority trading company now named Peterborough Limited (the "Company") to operate all services performed under the EMS (currently fulfilled by Amey Limited) from 2 February 2019.
- 7.2 On 17 December 2018 Cabinet approved the Business Plan for the Company. Following the landmark decision Council officers have developed an approach to implement the transfer of services to Peterborough Limited through a phased approach. The services to start trading and operating as part of Peterborough Limited will be:
- **Building Cleaning** on 2 February 2019;
  - **Passenger Transport** on 1 April 2019;
  - **Waste & Recycling Collections** on 1 April 2019; and
  - **Building Maintenance, Street Cleansing and Grounds Maintenance** on 4 May 2019.
- 7.3 This process is a complex undertaking. It involves the transferring of 306 employees, transfer of all assets and the acquisition of all necessary vehicles. All operational, health and safety, HR and financial policies and procedures need producing and to be in place for the time of transfer. The phased approach will allow for added staff engagement, a more timely and manageable approach, reduce risks and help ensure a focus on quality services.
- 7.4 The cost of Amey operating these services throughout the transfer period will be in line with the additional monthly costs currently paid to Amey for providing these services. However, there are additional costs over budgeted levels for the council to deliver this phased implementation. Once approved, these will be included in 2018/19 Revenue Monitoring and the 2019/20 MTFS.
- 7.5 Amey have agreed this approach to ensure a safe and seamless transfer of services and staff. During this period the Council and the Management of Peterborough Limited will work with Amey, and the workforce, to ensure high standards of service delivery for residents, safe, effective health and safety practices for the workforce, and strong workforce engagement and participation to achieve these objectives are maintained and delivered.

## 8. IMPLICATIONS

### Financial

- 8.1 The future of the Peterborough Limited will be accounted for in the 2019/20 Medium Term Financial Strategy. Compared to existing base budgets, the following additional budget is required to deliver the services via Peterborough Limited. This is less than is being paid for the present Amey Extension (which is an additional £190k per month over the present base):
- 2019/20 - £867,000
  - 2020/21 - £805,000
  - 2021/22 - £940,000
- 8.2 In the existing Cabinet Report, there is the approval to loan £1.75m to Peterborough Limited to cover the costs of purchasing existing equipment from Amey and ensuring that the Company has the Working Capital to remain solvent. In negotiation since the December Cabinet Report it has become apparent that it is not cost effective for Peterborough Limited to purchase all the assets and also because of its limited trading record, there will be the need for the Council to take on leasing arrangements from Amey for some of the Services.
- 8.3 As such it is proposed that the Council purchase Assets where it would be cost effective for that route to be followed and also take over leases where they cannot be transferred to

Peterborough Limited. The assets which will transfer to the Council will include the Refuse Vehicles and this will be accounted for in the Capital Programme with the Peterborough Limited paying for their use over the lifetime of the vehicles.

- 8.4 A review has been undertaken, with Peterborough Limited, of their working Capital requirements to procure all assets (apart from the Refuse Vehicles) and ensure that there are no issues in respect of cash flow in the initial six months of operation. It is estimated that £1.45m of the loan will be required.
- 8.5 Presently, there is £500,000 that has been allocated to the transition of Services from Amey to Peterborough Limited. With the new phased transition arrangements, these costs have been reassessed and £594k will be required in 2018/19 with a further £60k in 2019/20. This is an additional £154k over the initial budget.
- 8.6 For Amey to continue to deliver the Services over the three month transition period there will be the requirement to continue with the existing arrangements and payments of £190k per month will need to be made, adjusted in accordance with the timing schedule.
- 8.7 The following points summarise the additional costs over base budgets and initial one off amounts
- *Additional ongoing Budget to deliver LATCo Services (part of MTFs)*
    - 2019/20 - £867,000
    - 2020/21 - £805,000
    - 2021/22 - £940,000
  - *Additional One Off Funding to Transition Services over £500,000 level*
    - 2018/19 - £94,000
    - 2019/20 - £60,000
  - *Additional Payments to Amey (per timing schedule)*
    - 2018/19 - £360,000
    - 2019/20 - £105,000

There will be the requirement to approve the following additional spend to Amey (an extension to the existing contract) for them to continue delivery of Services :

- 2018/19 - 2 months - £2,424,124
- 2019/20 - 1 month - £830,722

## 9. Legal

- 9.1 The legal implications set out in Cabinet reports KEY/11JUN18/04 and DEC18/CAB/65 remain applicable to and are unchanged as a result of the proposed phased approach to service transfer.

Approval of the recommendations above will require an amendment to be drafted in respect of the existing termination agreement between the Council and EMS. This is in order to create legal agreement by the parties for a phased transfer of the services and the extension of property leases and licences as required.

## 10 HR Implications

### 10.1 TUPE Transfer Date

The proposed phasing of the TUPE transfer of staff to Peterborough Limited will be as follows as employee's would transfer under a "phased" approach. The numbers of staff in each phase are outlined below.

<b>Phase</b>	<b>Business Area</b>	<b>Number of Employees</b>
Phase 1 – 2 <sup>nd</sup> February	Building Cleaning	60
Phase 2 – 1 <sup>st</sup> April	Waste Recycling, Passenger Transport &	125
Phase 3 – 4 <sup>th</sup> May	All other areas	121
<b>Total</b>		<b>306</b>

Employee numbers are subject to minor movement due to staffing changes between now and take on dates.

#### 10.2 **Payroll and Benefits e.g. pensions**

As each cohort of employees transfer, they would migrate to Peterborough Limited payroll, providing the opportunity to phase the payroll start up rather than an “all at one go” approach. There are no downsides of the phased transfer approach for employees.

#### 10.3 **Trade Union/Employee Representative Feedback**

The TUPE consultation forum has been advised of the proposal to phase the transfer of staff and this was well received by the representatives.

#### 10.4 **Reporting lines**

In some cases parts of services transferring are being retained creating a dual reporting relationship. It is envisaged that this will be managed at a local level with the support of Amey senior management.

For complete entities transferring the senior management accountability will pass to Peterborough Limited. It needs to be finalised as to how and to whom reporting lines will apply.

#### 10.5 **HR On site presence**

A Peterborough Limited HR Advisor and Assistant will be located full time on site at the depot from Monday 4<sup>th</sup> February and are increasing their on site presence beforehand as the first phase approaches to provide advice, guidance and reassurance as required.

### 11. **Equalities**

11.1 There are no negative equalities implications.

### 12. **DECLARATIONS / CONFLICTS OF INTEREST & DISPENSATIONS GRANTED**

None.

### 13. **BACKGROUND DOCUMENTS**

Cabinet reports of 23 July and 17 December 2018 detail the reasons for the creation of the Company.