

## CABINET

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### **ESTABLISHMENT OF A JOINT VENTURE COMPANY FOR FACILITIES MANAGEMENT**

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#### **Summary**

This report recommends that a joint venture company should be established with Norse so that the council will benefit from a total facilities management solution that both delivers savings from the council's expenditure on such activities and generates income by undertaking such activities for private and public sector clients in the region.

#### **1. Budget and Policy Framework**

- 1.1 Medway Council spends £6.7 million per year on traditional facilities management services. These services are funded from a variety of budgets because the spend is devolved to service areas that operate from 164 buildings across Medway.
- 1.2 Traditional facilities management (FM) services relate to 'hard' and 'soft' FM services, such as planned and reactive building maintenance (hard FM) and cleaning and catering (soft FM).
- 1.3 A Total FM solution is where the responsibility and, therefore, the risks associated with providing services and for managing the facilities are transferred to a single provider.
- 1.4 Section 111 of The Local Government Act 1972 gives the Council power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.
- 1.5 Sections 1 to 8 of the Localism Act 2012 enable all local authorities to have a general power of competence "to do anything that individuals generally may do". This power enables a local authority to exercise this power anywhere in

the United Kingdom or elsewhere, for a commercial purpose or otherwise, with or without charge and for the benefit (or otherwise) of the authority its area and people resident or visiting the area. All activities are, as always, subject to the general requirements as to reasonableness and financial rectitude. Commercial activities should be undertaken through a company or industrial and provident society reflecting the current value for money arrangements.

## **Urgency Report**

1.6 This report is being presented as an urgent item because the budget for 2013/14 includes the proposed savings in this report. In line with rule 16.11 of Chapter 4, Part 5 of the Constitution, call-in can be waived where any delay likely to be caused by the call-in process would seriously prejudice the Council's or the Public's interests. The Chairman of the Business Support Overview and Scrutiny Committee has agreed that the decisions proposed are reasonable in all the circumstances and to them being treated as a matter of urgency and to waive call-in.

## **2. Background**

2.1 As part of the council introducing a new approach to procurement called category management, the project team has looked at categories of spend within the council rather than reviewing contracted spend in the various areas where it is currently spent. Four areas have been identified to pilot this approach to procurement and they include Homecare, High Cost Placements and Agency Staff. The fourth area identified to pilot the category management approach is facilities management. This review has led to options being considered which are not limited to traditional procurement options.

2.2 In May 2012, Procurement Board endorsed the exploration of two procurement routes and advised that all areas of FM spend should be part of the review. Council officers have undertaken a detailed review of the top 40 buildings (out of 164 buildings) by spend and other significant FM-related cost centres.

2.3 Since that decision, Cabinet considered a further report in October 2012, and agreed that officers may enter into due diligence discussions with Norse to explore the potential benefits identified as part of the options appraisal in May 2012. Cabinet also agreed that, should the outcome of the due diligence discussions be unsatisfactory then, officers may recommend and scope the activities that should be the subject of a full OJEU procurement process.

2.4 The scope of services subject to due diligence discussions were:

Statutory maintenance contracts	Printing services
Corporate cleaning	Catering
Building maintenance	Meeting room management
	Health and safety

Security services	management of buildings
Window cleaning	Cash collection
Public Toilet cleaning	Records management including archiving
Utilities and energy demand management	Store management
MFDs (printers)	Other miscellaneous FM services

2.5 Following a review with service managers that are accountable for facilities management activities, the scope was refined to exclude reactive cleaning where it was a minor part of, and could not be easily separated from, an employee's role which otherwise related to non-FM activities. Utilities and energy demand management was removed from the scope; and the miscellaneous FM services have been determined to include courier services and grounds maintenance including weeding.

2.6 Therefore the services that remain in scope are as follows:

- 2.6.1 Statutory maintenance includes boiler servicing, legionella checks, PAT testing, etc.
- 2.6.2 Corporate cleaning includes the planned and routine cleaning of operational buildings includes window cleaning and the cleaning of public toilets
- 2.6.3 Building maintenance can range from re-hanging a door to asbestos removal. This can be planned or reactive.
- 2.6.4 Security services includes patrolling corporate buildings and/or grounds, cash collection and the opening and closing of buildings or gates
- 2.6.5 Printing services includes the printing that takes place in operational buildings for individual productivity and high volume printing for mass mail-outs.
- 2.6.7 Catering, includes staff canteens, corporate meetings and catering for services that include revenue targets.
- 2.6.8 Caretaking includes meeting room management, reactive cleaning and building maintenance, flag flying, health and safety management of the buildings and store management
- 2.6.9 Record management relates to the long term archiving of documents rather the filing of on-going cases/records
- 2.6.10 Other miscellaneous FM services includes dedicated, rather than ad hoc, reception services, courier services and grounds maintenance (not currently under the corporate contract) such as tree maintenance, grass cutting, leaf clearance, weeding and play area maintenance.

### 3. Options

3.1 In reviewing the options, part of the review was to set objectives about the outcomes that the council plans to achieve with the spend relating to facilities management. These objectives align to achieving *better for less*:

### ***The better...***

A flexible and responsive service to address future challenges and changes in the business and wider environment

- Find new & efficient ways of working
- Be more agile & flexible

Better quality of service and better performance in relation to statutory duties

- Greater strategic direction for FM
- Meet legislative regulations
- Improve the customer experience
- Better prioritisation of work
- Improved skills

Contribution to corporate objectives

- Support *Better for Less* principles & corporate vision
- Meet sustainability & green targets
- Demonstrate best practice

Contribute towards development of the local economy

- Opportunity to trade locally (e.g. to schools)
- Supporting local/regional enterprise through the supply chain
- Offer employment opportunities to local people

### ***The less...***

The service must deliver sustainable cost reductions and value for money

- Cost reductions
- Use more intelligent methods e.g. Life cycle costing

Ability to transfer risk and increase cost certainty

- Transfer of appropriate risk to a 3rd party
- Fixed cost/cost predictability to aid budget setting

## **3.2 Public-Public partnership**

A public–public partnership is a partnership between a government body or public authority and another such body to provide services and/or facilities. A public–public partnership is permissible due to the *Teckal* exemption precedent, which is EU case law and has clear criteria for compliance.

Norse is a facilities management trading company that was established by Norfolk County Council that still has links to the council. It has a turnover of £200 million and 10,000 employees. It currently has over 15 joint ventures, none of which are in the south east.

If Medway Council agrees to establish such a partnership then a joint venture company would be created and have the following features:

- The ‘cost’ of the partnership is the 4% management fee
- Where identified savings from expenditure benefits the council

- The Council has a share of 50% of all profits that are generated from delivering services to third parties such as schools, local businesses or other public sector bodies
- Due to the annual turnover, a Managing Director would be recruited locally to manage the company
- The Council has membership – senior officers and councillors – of the two Boards that would be established and influence the annual business plan
- The Chair of the Board of Directors will be a Councillor who has a Corporate Policy Veto

#### Advantages

- Combines commercial acumen with public sector ethos
- Due to opportunities for direct influence through annual business planning and Joint Partnership Board membership, an increased range of services can be put in scope such as delivery of capital projects
- Flexible and responsive for service delivery to address changes in corporate priorities & wider requirements
- Sustainable cost reductions / value for money
- Longer term income generation (50:50 profit share)
- Investment in buildings and equipment
- Direct influence on the Board of Directors provides a greater degree of control to protect reputational risk
- Corporate Policy Veto by the council in relation to business planning
- Given the timescale (approximately three months) for establishing a joint venture, this is the quickest approach to realising efficiencies
- Achieve corporate & aligned vision

#### Disadvantages

- Reduced savings compared to the OJEU procurement option (15-20% versus 10-15%). See paragraphs 4.20 and 4.21.

### 3.3 OJEU Official Journal of the European Union) Procurement (Either by Competitive dialogue or through a framework)

The option of formally tendering this procurement requirement in line with EU Procurement Regulations has been considered because the value of this procurement requirement is above the EU Procurement threshold for services of £173,934 and below are the advantages and disadvantages of this option:

#### Advantages

- Sustainable cost reductions / value for money
- Improve in-scope service performance, compliance and quality
- Achieve corporate & aligned vision
- Transfer of risk management & better cost certainty

#### Disadvantages

- Scope may be reduced due to caution about the range of services that may be included, thereby reducing opportunities for economies of scale and increased efficiencies
- The need for a robust specification means that procurement could take eighteen months, including the tender exercise itself

- No direct influence outside of contract management, given the potential reputational risk on service delivery.
- No profit share element

### 3.4 Preferred option

The preferred option has been assessed based on the better for less principles set out in paragraph 3.1.

<b>Scoring Criteria</b>	
Good fit	1
Neutral	0
Negative fit	-1

<b>Key Criteria</b>	As-is	Private Sector Model	Joint Venture Model
A flexible and responsive service to address future challenges and changes in corporate priorities and wider environment	-1	0	1
Better quality of service and better performance in relation to statutory duties	0	1	1
Contribution to corporate objectives	0	0	1
Contribute towards development of the local economy	0	0	1
The service must deliver sustainable cost reductions and value for money	0	1	1
Ability to transfer risk and increase cost certainty	0	1	1
<b>Total Score</b>	-1	3	6

Comparing these advantages and disadvantages with the identified outcomes for FM services means that the joint venture company with Norse is the preferred option.

## 4. Advice and analysis

### Procurement Options

4.1 The Council has a total spend of £6.7 million in traditional facilities management services. The current spend is dispersed across a number of services that are making their own arrangements. Some services have contracts with the same contractor but with very different rates. By aggregating the council's spend in relation to traditional facilities management services, the council can leverage this spend to make it more efficient.

Appendix One sets out the council's spend by FM activity, which could be part of the first phase of establishing a joint venture company.

- 4.2 The advantages and disadvantages of the, OJEU procurement and the joint venture company, options are set out in paragraphs 3.2 and 3.3. The preferred option is set out in paragraph 3.4 and this is to establish a joint venture company.
- 4.3 A joint venture company would use its combined extensive resources, experience and expertise to increase cost efficiency and raise standards. As well as the operational benefits, Medway Council would enjoy increased profit-share, and the prospect of long-term growth via the development of external revenue. At a time of unprecedented pressure on public finances, there is confidence that the proposed joint venture company will generate external revenue streams in both the public and private sectors, leading to rebates for the Council and its stakeholders, ensuring value for money for the residents of Medway.
- 4.4 Schools are a key market for income generation, where each school will enter into an individual service contract with the joint venture company with contract durations dependent on the types of services that would be provided.
- 4.5 In order to establish a joint venture company, a local authority must satisfy the *Teckal* exemption criteria. The three key criteria are set out below.

#### ***Teckal* Exemption criteria**

##### ***The service provider carries out the principal part of the activities with its owner bodies***

- 4.6 The joint venture company will continue to provide the facilities management savings operated under the current arrangements. The provision of services to Medway Council will therefore form the essential part of the joint venture's role and revenue. Controls will also be put in place to ensure that the joint venture continues to satisfy this element of the "Teckal Tests".

##### ***The owner bodies exercise the same kind of control over the service provider as they do over their own departments***

- 4.7 Medway Council and Norse Commercial Services Limited will own the joint venture company jointly. Norse Commercial Services Limited is part of a group wholly owned by Norfolk County Council. These two "public sector" organisations will therefore exercise strategic shareholder control over the joint venture.
- 4.8 Medway Council will appoint a Councillor to be a director on the joint venture company Board of Directors and also on the Operational Liaison Board.
- 4.9 The appointed Councillors will chair the Board of Directors and the Operational Liaison Board and the Chair of the Board of Directors will have a Corporate Policy Veto. This ensures that the joint venture company will not take decisions that are contrary to Council policy or priorities.

4.10 In addition the annual business plan will be agreed between Medway Council and the joint venture company and the plan will:

- Detail the outputs of the company and any agreed performance indicators for the services it will deliver.
- Include the overall strategy of the company and how it plans to assist the Council in its delivery of its own strategy
- Detail the financial and staffing resources required to enable the company to deliver the services, and describe any improvements, enhancements or development of the provision of the services
- Include a financial and resourcing plan which may also include a major investment plan if appropriate.

Other arrangements will be put in place, as necessary, to ensure that the joint venture meets the requirement of control as an internal department.

***There is no private sector ownership of the service provider or any intention that there should be any***

4.11 Norse Commercial Services Limited is 100% owned by the Norse Group Limited, which in turn is 100% owned by Norfolk County Council. These companies have no shareholding or private sector ownership.

4.12 Norse has over 20 years of experience in similar ventures and already trades with Norfolk County Council in a similar arrangement regarding transport services. In addition to the site visits and telephone conferences that have taken place to understand how joint ventures work, the council has also requested written references to confirm key aspects about how the joint ventures work.

4.13 Norse has a portfolio of clients embracing a wide range of local authorities and, in total, has a workforce of more than 5,000 and a turnover of £200 million per year.

4.14 Norse has set up joint venture partnerships with other authorities and these are reporting financial savings whilst still reflecting the authorities priorities and measures of performance. Having already established a number of joint ventures many hurdles have already been overcome which will enable the transfer to be accomplished smoothly and quickly.

4.15 Norse will satisfy the contract objectives by entering into a ten year partnership a split in ownership of 80:20 (Norse : Medway Council).

4.16 The joint venture model requires within the governance arrangement to set up both a Board of Directors and an Operational Liaison Board. The Operational Liaison Board will consist of at least two representatives of Medway Council (one Councillor, one Officer), plus the Managing Director of the new joint venture company, two representatives from Norse, including the Managing Director of Norse.

### Benchmarking and value for money

4.17 In establishing a joint venture company in accordance with the requirements of the Localism Act, the council must demonstrate that creating such a company will provide value for money.

4.18 Officers have reviewed the business plan that has come forward from Norse and compared that to the potential savings that could be achieved through a competitive process, based on the current spend for the services described in paragraph 2.6.

4.19 Based on the direct cost of £6.7million and conservative income generation forecasting in the business plan from Norse the value for money review indicates the following:

Joint venture company	Year	Year One	Year Two	Year Three	Year Four	Year Five	Cumulative Total
	Savings (£)	202,000	645,000	645,000	645,000	645,000	2,782,000
	Income (£)	316,000	395,000	419,000	477,000	497,000	2,104,000
	Total (£)	518,000	1,040,000	1,064,000	1,122,000	1,142,000	4,886,000

4.20 However, as stated in the disadvantages of a competitive process, if the council reduced the scope of services included and this would mean the exclusion of miscellaneous grounds maintenance, reception services and catering, this could reduce the related spend to £4,598,000. Additionally, a competitive process will take at least 12 months to progress and this would include developing detailed specifications to enable robust monitoring of service delivery and enforcement of the contract.

OJEU procured FM Contractor	Year	Year One	Year Two	Year Three	Year Four	Year Five	Cumulative Total
	Savings (£)	0	689,700	919,600	919,600	919,600	3,448,500
	Income (£)	N/A	N/A	N/A	N/A	N/A	N/A
	Total (£)	0	689,700	919,600	919,600	919,600	3,448,500

4.21 Comparing the competitive process and the joint venture company options, the joint venture company will provide value for money. As Members were advised in a previous Cabinet report on 30 October 2012 in a like for like comparison the overall financial benefits for the council from a joint venture company are likely to be lower than from an OJEU procurement.

4.22 In order to benefit from the savings and income offered in the business plan from Norse, the council must reduce its current overheads so that they are not duplicated in the joint venture costs of the management fee and local overheads. The notional overhead costs related to the £6.7 million about £1 million. These costs cannot be fully removed from the council because

there are other activities that require similar resources. Therefore, it is considered that a reduction of £650,000 in overheads should be removed and this would be realised from vacancies, transferring some of our costs into the joint venture company local overheads and revising the current resources currently dedicated to the client function being reduced to reflect the new way of working. The table below shows the impact of the required reduction in the Council's overheads on the overall financial benefits:

	Yr 1 £000s	Yr 2 £000s	Yr 3 £000s	Yr 4 £000s	Yr 5 £000s
<b>Per Norse model</b>					
Payment to partnership for supply of FM service	7,511	10,961	10,961	10,961	10,961
Reduction in Medway direct FM costs	(6,707)	(10,307)	(10,307)	(10,307)	(10,307)
Notional reduction in Medway central and local overheads (15%)	(1,006)	(1,299)	(1,299)	(1,299)	(1,299)
<b>Sub total</b>	(202)	(645)	(645)	(645)	(645)
Joint venture profit share due to Medway	(316)	(395)	(419)	(477)	(497)
<b>Net saving to Medway per Norse model</b>	<b>(518)</b>	<b>(1,040)</b>	<b>(1,064)</b>	<b>(1,122)</b>	<b>(1,142)</b>
Adjust to reflect realisable overhead saving	356	649	649	649	649
<b>Benefit to Medway from JV</b>	<b>(162)</b>	<b>(391)</b>	<b>(415)</b>	<b>(473)</b>	<b>(493)</b>

It is important to note that phase one of the joint venture company includes activities that are delivered by in-house staff members and therefore attract relatively significant overhead costs in the order of 15%. Any future activities that could be included in future phases of the joint venture company are likely to be contracted services and therefore the overheads and the profit margin of the current incumbent provider(s) will be returned to the council as a saving in addition to any redesign of the related client (contract management) functions for that spend.

4.23 The financial standing of Norse has been reviewed in the usual way for a potential supplier to the council. This includes a Dunn & Bradstreet check, a review of their audited accounts and recent financial reporting to Norfolk County Council:

Links are as follows:

Recent financial reporting, December 2012	<a href="http://www.norfolk.gov.uk/view/cabinet031212item14pdf">http://www.norfolk.gov.uk/view/cabinet031212item14pdf</a>
Audited accounts, 2010 to 2011	<a href="http://www.ncsgrp.co.uk/downloads/norse_cs_ltd_financial_statements_p-e_30-1-11.pdf">http://www.ncsgrp.co.uk/downloads/norse_cs_ltd_financial_statements_p-e_30-1-11.pdf</a>
Audited accounts, 2009 to 2010	<a href="http://www.ncsgrp.co.uk/downloads/norse_cs_ltd_financial_statements_p-e_31-1-10.pdf">http://www.ncsgrp.co.uk/downloads/norse_cs_ltd_financial_statements_p-e_31-1-10.pdf</a>
Audited accounts, 2008 to 2009	<a href="http://www.ncsgrp.co.uk/downloads/norse_cs_ltd_financial_statements_p-e_1-12-09.pdf">http://www.ncsgrp.co.uk/downloads/norse_cs_ltd_financial_statements_p-e_1-12-09.pdf</a>

4.24 The current Dunn & Bradstreet rating is 3A2 meaning they have turnover of over £200 million per annum, a tangible net worth of over £10m and a lower than average risk of business failure.

### **Market analysis**

4.25 Plimsoll provides company and industry analysis. It was established over 25 years ago and is used to benchmark business performance, identify acquisitions, seeking out companies to partner and identifying the key actors in the current market. It is often quoted by leading providers of total facilities management solutions when promoting their commercial successes.

4.26 Plimsoll Facilities Management Industry Analysis in January 2013 confirmed that Norse Commercial Services Limited is in the top 40 companies for facilities management and is the only one in the top 50 that is wholly owned by a public sector organisation.

### **Governance arrangements for the proposed joint venture company**

4.27 The joint venture company would take the form of a company limited by guarantee responsible for facilities management services.

4.28 A company limited by guarantee is much like an ordinary private company limited by shares; it is registered at Companies House, must register its accounts and an annual return each year, it has directors, etc. A major difference is that it does not have a share capital or any shareholders, but members who control it.

4.29 A company limited by guarantee protects the people running the company from personal liability for the company's debts, just as a business may be set up as a company limited by shares for the same reason. However, the directors will incur personal liability for the company's debts if they have been guilty of some wrongdoing, such as wrongful or fraudulent trading.

4.30 In a company limited by guarantee, there are no shareholders, but the company must have one or more members. Subject to any special provisions in the company's articles, the members will be entitled to attend general meetings and vote, and in most companies that means they can appoint and remove the directors, and have ultimate control over the company. Many clubs operate on this basis.

4.31 As there are no shareholders, it is not possible to own a company limited by guarantee in the way that a company with a share capital is owned by its shareholders. The members of the guarantee company control it, in the same way as shareholders control a share company, but they do not have any shares or other security in the company that they can sell to another.

4.32 The directors may be given some other title, such as a committee, management committee, board of managers, trustees, governors, etc. Whatever title they may be given, if they are in day-to-day control of the company they are in law directors of that company. Their powers will depend on the terms of that particular company's articles, but typically they are given very wide powers of management. Just as in a company limited by shares, these powers are

conferred on the directors collectively, when they are sitting as a board and passing resolutions for the management of the company. They may, of course, set up sub-committees, etc. and delegate powers to them, and may give particular directors special responsibilities, such as treasurer.

4.33 The Companies Act or any other law does not prohibit a company limited by guarantee from distributing its profits, but it is commonplace for restrictions to be put on profit distribution in the company's articles. Such restrictions will usually apply both to profits while the company is running and to the distribution of assets (after paying creditors) when the company is wound up. In many cases, but by no means all, these restrictions are reinforced by a prohibition on any payment of salaries or fees to the directors.

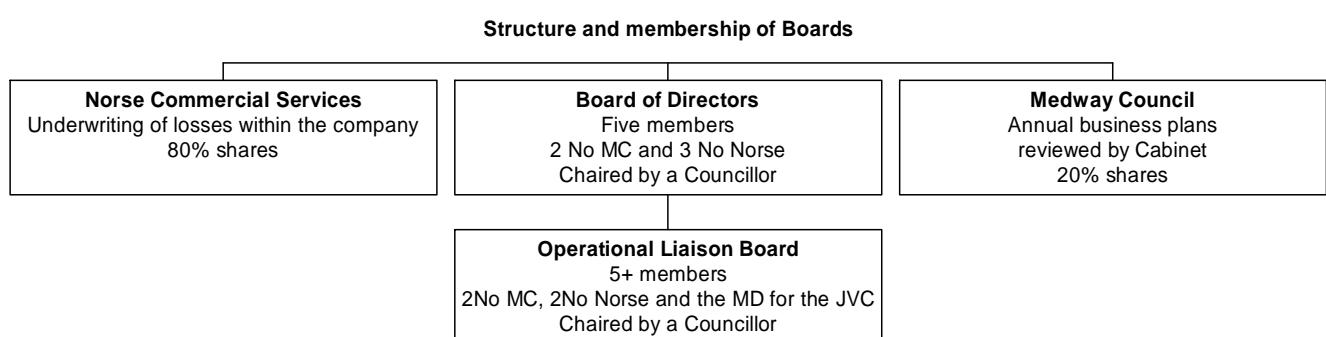
4.34 In terms of governance the company's articles would include the following summarised provisions:

**Directors:** The company has five directors: - the managing director of the company; two directors appointed by NPS; and two directors (One Councillor, One Officer) appointed by Medway Council.

**Terms:** The board of directors of the joint venture company has responsibility for the supervision and management of the joint venture company and its business. Directors are responsible for the management of the company's business and shall ensure that the company does not engage in activities in which Medway Council and Norfolk County Council have no powers to engage. Each party shall use its reasonable endeavours to promote and develop the business of the joint venture company to the best advantage of its beneficiaries.

**Meetings:** Board to meet at least quarterly. A quorum comprises 3 directors comprising one of each from Norse, the council and the managing director. A resolution is passed if more votes are cast for it than against it; and at least one council director and one NPS director has voted in favour of it.

4.35 The joint venture option provides both flexibility and responsiveness because the resulting company will belong to the council and include member involvement on the Directors' board and operational board(s), see diagram below.



The appointment of an Operational Liaison Board is an essential ingredient, giving decision-making powers to those people directly involved in the day-to-

day activities. The board would typically include at least one Councillor, one senior Officer and other stakeholders.

An Operational Liaison Board will be established, consisting of, but not limited to:

- 1 Member from Medway Council
- 1 Senior Officer of Medway Council
- 2 Norse Directors
- The Managing Director for the Joint venture company

The purpose of the Operational Liaison Board is to:

- Agree and set relevant Key Performance Indicators (KPIs), monitor the partnership's Balanced Scorecard and receive additional performance reports as required;
- Monitor and review the partnership's performance in respect of achieving the annual Business Plan;
- Make recommendations regarding the delivery of the services to the company and to the Council;
- Provide communication links to other members and officers of the Council.

4.36 In other Norse joint ventures, the partnerships hold the Director meetings immediately following the Operational Liaison Board, and simply adopt the Operational Liaison Board's minutes as part of the Board of Directors' agenda. This is considered to be an efficient way to ensure that Directors hear the strategic discussions from all stakeholders in relation to the joint venture company's activities and avoid duplication, as most of the members of the Board of Directors are the same people as on the Operational Liaison Board. Norse has suggested that this is the approach for the JVC with Medway.

4.37 The Operational Liaison Board will meet regularly to consider all issues presented to it concerning the performance of the services, including any matters to be discussed by the Board of Directors of the company. It will make recommendations to the Board of Directors or to the Council.

4.38 Additionally, there will be quarterly reporting to the Overview and Scrutiny Committee, Business Support and six-monthly reporting to the Cabinet.

### **Principal Heads of Terms**

4.39 As part of the due diligence discussions, officers developed principal Heads of Terms to govern the drafting of a partnership contract for the joint venture company, see Appendix Two. The key agreements in the principal Heads of Terms are as follows:

4.39.1 Chairmanship of the Board of Directors and the Operational Liaison Board

- 4.39.2 A Corporate Policy Veto for the Chairman, a Councillor
- 4.39.3 Creation of apprenticeships, three in the first year and ten over three years for people with disabilities, care-leavers and ex-members of the armed forces.
- 4.39.4 Sub-contracting of service delivery to (local) SMEs. Use of the word 'local' and the assignment of a percentage to be determined following benchmarking by Medway Council.
- 4.39.5 12 months mutual termination clause

### **The business plan and efficiencies**

- 4.40 The business plan from Norse, see appendix three, confirms that savings from direct spend of £202,000, can be delivered over the first year with income of £316,000 totalling £518,000. This benefit will be eroded if the council does not achieve savings attributable to the overhead reductions.

The joint venture company, on a contractual basis, will undertake facilities management services for Medway Council. This will be in accordance with robust specifications that set out metrics, frequencies and key performance indicators, agreed during mobilisation.

- 4.41 Norse has established over 15 joint ventures across England and has described Medway as the most fragmented council that it has seen in terms of FM responsibilities and activities. Given that much of the council's FM spend is with third parties, the potential savings for the joint venture option come from the profit share that otherwise would have solely benefitted the contracted provider. The joint venture arrangement means that a contractual obligation for predetermined/fixed inflationary uplifts is replaced by a considered review of where inflationary pressures are presenting in the costs of delivery. Savings are also generated from the reduced costs of overheads
- 4.42 A public to public joint venture company must demonstrate value through best consideration and this is achieved by benchmarking the business proposal that offered to the council following a period of due diligence. On reviewing the options of a joint venture versus a competitive process, the joint venture offers value for money in terms of whole-life cycle costings over a 5 year period due to the income that can be generated alongside the cashable savings from direct costs.

### **Property rationalisation**

- 4.43 In recent years significant progress has been made with re-modelling the Council's property portfolio to meet its service needs. Highlights include:
  - Single corporate HQ in the chosen location combined with a significant reduction in the number of other office locations.
  - Creation of Community Hubs combining libraries, contact points and other community facilities.
  - Significant improvements to create Medway Park.
  - Outsourcing of the Stirling Centre.

- Rationalisation and disposal of unwanted assets.

4.44 With ever changing service need this process of property rationalisation will continue to ensure the Council's portfolio of operational properties is in the right location, fit for purpose, sustainable and provides value for money. New initiatives include transformation through mobile and flexible working, which will lead to improved space utilisation, the need for fewer buildings and the realisation of revenues savings and capital receipts.

4.45 The consolidation of facilities management to a single provider will support the Council's property rationalisation programme.

### **Human resources - TUPE**

4.46 All employees in the services affected would transfer to the joint venture company with Norse with no change to their existing terms and conditions of employment. A consultation process in relation to the transfer of employees would commence should the arrangement be approved.

4.47 The three main trade unions (GMB, Unison and Unite) have been made aware of this proposal. In other joint venture company consultations, unions such as Unison at the Wellingborough Branch have circulated letters to their members indicating that though it would be preferable to services delivered directly by borough council employees they recognised that a partnership as proposed with Norse had potential advantages that could not be provided within the existing service. The Wellingborough branch of Unison believed that employees would not suffer any detriment as a result of the proposal. Medway's branches of Unison, Unite and GMB will have an opportunity to develop their own views during the consultation period of TUPE.

### **Human resources - Pensions**

4.48 The two options for pensions are:

- to continue with the Kent Pensions Scheme with the new partner acquiring Admitted Body status; or
- providing a broadly comparable scheme. Broadly comparable means the benefits need to be of the same actuarial value to the Local Government Pension Scheme (LGPS).

It is intended that option (a) is pursued with the joint venture company (JVC) joining the KCC Pensions Scheme as an admitted body. The pension costs of employees transferred to the JVC to be a 'pass through'. This results in Medway Council retaining the pension liabilities and hence retaining the current risk relating to a pension shortfall. As the liabilities would remain with Medway Council, these would be included with Medway Council's FRS17 figures. This would mean that only the contributions made by the company are included in the JVC accounts and no account is required of any deficits. Pension deficits/surplus can arise due to actual experience of the fund and through the governance arrangements the JVC partners – Medway Council and Norse - will have control over pay awards.

## **Property and assets**

4.49 The joint venture company, if established, would operate from premises separate to the council's corporate buildings so that the transferees have an opportunity to align themselves with the company's commercial approach and public sector values. The council will, where available, provide premises for the new company to operate from.

4.50 Assets with a value of less than £10,000 such as vehicles and plant would be transferred to the joint venture company for the duration of the partnership. The joint venture company, at an agreed valuation on the date of transfer, would purchase assets with a value of £10,000 or more that are owned by the council. Assets leased by the council, such as vehicles, would be novated, ie transferred, to the joint venture company for the remaining lease period.

## **Contracted services**

4.51 The council has a number of contracts, which provide services as described in paragraph 2.6. They have varying end dates and will require extensions, termination notices and/or novation as part of the transfer strategy, see paragraph 4.56 to enable the joint venture company to realise its full potential.

4.52 Where the activities delivered under contract transfer into the proposed joint venture company, the employees within those companies will also benefit from TUPE legislation. All employees in the services affected would transfer to the joint venture company with Norse with no change to their existing terms and conditions of employment. A consultation process in relation to the transfer of employees would commence should the arrangement be approved.

## **Client function**

4.53 The current client function is devolved to Service Managers who in turn have Team Managers or Supervisors that manage the day-to-day operational issues of organising in-house staff, identifying activities that need addressing, organising who will undertake such work – in-house or external resource - and monitoring the quality of service. In addition, there is a corporate facilities management team dedicated to the scoping, procuring and monitoring of planned and some reactive building maintenance within the Building and Design Services (BDS) section.

4.54 It is proposed the client function in respect of the new arrangement will be as follows.

4.55 For practical reasons and the current devolved nature of revenue budgets, local resources will continue to undertake the day-to-day management of buildings.

4.56 However, the planned and reactive building maintenance organised by BDS would largely transfer to the joint venture company, which would include the traded services planned maintenance activities undertaken for schools. This will enable the joint venture company to either undertake some or all of the activities in-house or where it is more efficient continue with sub-contracting arrangement for specialist building maintenance activities, such as lift maintenance.

4.57 Whilst the joint venture company is being established the client role needs to be sufficiently robust to cover the following functions:

- Contract management – including the setting and monitoring of key performance indicators
- Audit - delivery of a Compliance Management Programme to ensure operational buildings meet all necessary health & safety requirements
- Strategic - advice to the Council regarding the management and maintenance of its operational property portfolio to ensure it contributes to the delivery of strategic and operational objectives
- Innovation – ensuring the Council maximises innovative opportunities and solutions to create a flexible and sustainable portfolio

As the joint venture company becomes established functions, such as the Compliance Management Programme, could transfer to the joint venture company in later phases.

4.58 On speaking with local authority partners in other joint venture companies, all have taken an evolutionary approach to achieving a 'thin client' function. This approach reflects the culture change required by the local authority partner to take a collaborative/partnership approach rather than a 'command and control' approach, which is a necessary feature in traditional contractual relationships.

4.59 In practice this means that the Council's administrative function associated with the delivery of the corporate facilities management function can transfer into the joint venture company.

4.60 The new corporate client FM function can be contained within BDS and will comprise of a client liaison officer who will be one of the Council's key representatives on the Operational Liaison Board. The role will provide the principle day-to-day interface with the joint venture company and will provide a Council side point of contact for both members and officers, where issues cannot be resolved direct with the joint venture company helpdesk.

4.61 The client function for devolved managers of buildings will be reduced under the proposed joint venture. Such managers will no longer have responsibility for staff that will transfer to the joint venture company and they will no longer have to be directly involved in the procurement of day-to-day repairs and other FM activities. Under the new arrangements they will be able to contact the joint venture company direct to arrange for repairs and other minor works to be undertaken. The service will be designed to provide a "one-stop-shop" for FM activities.

4.62 If establishing the joint venture company is agreed then the potential services that will be considered for later phases includes the FM facilities at Eastgate House.

## **Project Management**

4.63 The project will be managed within a formal project management methodology. The project sponsor, Assistant Director for Legal and Corporate Services and the Head of Category Management, Strategy and Operational Support Category will undertake the day-to-day requirements of the project.

4.64 The project plan and timing will be dependent on the availability of resources and planning linked to other Council projects.

4.65 The key work-streams of the project will be:

- 1) **Legal** – advice on all aspects of the transfer including TUPE, *Teckal* Transfer and company set up.
- 2) **HR & Pensions** – advice and support for change processes around TUPE and transition planning
- 3) **Financial** – support and advice on all matters relating to the asset and financial transfer to the new company and re-profiling of budgets.
- 4) **Organisational change** – reorganisation of resources for the remodelled client function and cultural change for the being part of partnership rather than being in a contractual relationship.

## **Transfer Strategy**

4.66 The formal transfer of services will be managed by a Project Board and will be reported back to the Chief Executive and the Portfolio Holder for Finance.

The following timeline is proposed from March 2013:

- 1) Agreement from Cabinet to proceed with establishing a joint venture company
- 2) Appoint members to the Project Board
- 3) Allocate workstreams, as described in paragraph 4.65 and build a timeline for completion by end of May.
- 4) Sign off by the section 151 officer, Chief Finance Officer
- 5) Negotiations start with Norse of timeline for transfer of assets, staff and services
- 6) Report back to the Chief Executive and the Portfolio Holder for Finance for agreement to proceed
- 7) Appoint members of the Board of Directors and the Operational Liaison Board
- 8) TUPE discussions including statutory consultation period as required, asset transfer and formal working arrangements
- 9) Finalise transfer arrangements.

## 5. Risk management

5.1 The following risk categories have been identified for this proposal.

Risk	Description	Action to avoid or mitigate risk
Delays in mobilisation	The council does not realise the savings as soon as possible.	A clear governance process for implementation.  Ensure that there is a dedicated project team established within the existing governance arrangements and structures.
Disruption to end users as a result of the transition to new FM delivery model	Any changes in provider of services may cause a dip in service delivery, including service departments where their revenue targets rely on excellent facilities being made available to the customer.	A sufficient transition period will be built into the project plan in order to minimise disruption to service users.  Creation of clear, robust quality KPIs that are monitored by the Operational Liaison Board and linked to consequences for failure to achieve required quality thresholds.  Category management team and the FM client function will monitor KPIs and provide this information to the Operational Liaison Board.
A disproportionate adverse impact on groups with protected characteristics in relation to the recommendation being implemented.	People with protected characteristics do not have fair access to services due to the new way of working	A Diversity Impact Assessment screening has been undertaken, see appendix 4, and, if cabinet agree to the recommendation then diversity issues will be regularly reviewed as part of the mobilisation planning and implementation.

## 6. Consultation

6.1 Officers met with service managers that are responsible for all FM activities that may be part of a joint venture company. The information generated from these meetings has been analysed to inform the scope of services in the first phase, the possible services that could be part of a later phase, the personnel

that may be subject to TUPE and the contracts that may need extensions or terminations.

- 6.2 As part of the process, the project sponsor, Assistant Director for Corporate and Legal Services, met with portfolio holders to explain the total FM solution and the procurement options available.
- 6.3 Officers and Councillors have met, or spoken, with three clients of Norse, Enfield Council, Waveney District Council and Suffolk Coastal Council. There has also been a telephone conference with Norwich City Council.

#### **6.4 Procurement Board comments**

Procurement Board considered this report on 1 February 2013 and supported the recommendations as set out below.

### **7. Financial, HR and legal implications**

#### **Financial**

- 7.1 The proposal will deliver net benefits to the council in the order of £200,000 in year one based on the proposal submitted by Norse. The significant transfer of revenue and staffing as well as the reduced client function means that the council must make savings to deliver the efficiencies proposed in the business plan.
- 7.2 The outcome of undertaking due diligence in relation to the submitted business plan is that the minimum net financial benefit to the council over five years is £1,934,000. This benefit is reliant on making savings of £650,000 in relation to the overheads that support the organisation and delivery of the £6.7 million of activities.
- 7.3 The income generation for the proposed joint venture company is conservative and, as partners of the joint venture company, it is within the gift of the council to ensure that a priority of the company is to exceed the forecast of both income and savings.

#### **Legal**

- 7.4 The legal requirements for the use of the *Teckal* exemption are that the (i) control test and (ii) the function test are both satisfied. The control test requires all parties with an interest in the joint venture to be public authorities or entities that are wholly public owned, so that the authorities can (jointly) exercise a similar control to that exercised over their own departments. The function test is that the joint venture carried out the principal part of its activities with the controlling authorities. European Commission is proposing to codify the *Teckal* exemption. Under the draft proposals (which if enacted would come in to force in 2014) at least 90% of the work undertaken by such a joint venture would need to be carried out for the controlling authorities.

#### **Human resources**

- 7.5 The employees affected would transfer with their existing terms and conditions to Norse under the Transfer of Undertakings (Protection of Employment) Regulations, known as TUPE. If Cabinet agrees to the

recommendations in this report then formal consultation will commence with employees and the relevant trade unions with a view to transfer from 1 June 2013.

## **8. Recommendations**

- 8.1 That the Cabinet agree to establish a joint venture company that is operational from 1 June 2013.
- 8.2 It is recommended that Norse Commercial Services Limited be formally invited to establish a joint venture with the Authority on the terms outlined in the principal Heads of Terms subject to the satisfactory negotiation of the various legal agreements that will underpin this arrangement.
- 8.3 That the transfer should be for services described in paragraph 2.6 commencing June 2013.
- 8.4 That the Cabinet agree the principle of adding further Facilities Management services in later phases subject to agreeing a business case for such additions
- 8.5 That Cabinet agree that the Chief Executive, in consultation with the Leader, will appoint Councillors and Senior Officers to be Directors of the joint venture company.
- 8.6 That regular further reports be brought back to Cabinet by the joint venture company
- 8.7 That the Assistant Director for Legal and Corporate services determine the joint venture company name, in consultation with the Portfolio Holder for Finance, following a consultation with Members and staff.
- 8.8 That the above recommendations are conditional upon the outstanding matters listed in paragraph 4.66 are resolved to the satisfaction of the Portfolio Holder for Finance, the Chief Executive and the Chief Finance Officer.

## **9. Suggested reasons for decision(s)**

- 9.1 This arrangement will enable the council to better manage the spend on activities related to facilities management, ensure the quality of services and works that are delivered and better safeguard the authority on statutory, regulatory and reputational issues.
- 9.2 To allow the Council to take advantage of income opportunities and make efficient use of assets, workforce and knowledge.
- 9.3 The appointments indicated in paragraph 8.5 would ensure the company works under a suitable governance structure.

9.4 Regular reporting will ensure transparency at all stages of the Company development and to ensure that the company activities are in keeping with the Council's priorities and operating model.

9.5 Participation by staff in the naming of the company will contribute to staff being actively involved in setting up of company.

#### **Lead officer contact**

Name	<input type="text" value="Genette Laws"/>	Title	<input type="text" value="Head of Category Management Team"/>
Department	<input type="text" value="Legal and Corporate Services"/>	Directorate	<input type="text" value="Business Support"/>
Extension	<input type="text" value="1193"/>	Email	<a href="mailto:genette.laws@medway.gov.uk"><input type="text" value="genette.laws@medway.gov.uk"/></a>

#### **Background papers**

Cabinet report entitled 'Options for a facilities management solution for Medway Council' presented on 30 October 2013

<http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=2530&Ver=4>  
- item 13

# Appendix One

## **Spend and human resources on facilities management activities**

<b>FM Activity</b>	<b>Spend (£)**</b>	<b>FTEs*</b>
Reactive Building Maintenance/Hard FM	1,010,027	4.36
Planned Building Maintenance/Hard FM	543,992	1.21
Business Support Services	537,996	8.03
Catering	838,058	30.29
Cleaning/Caretaking	1,549,427	32.98
Reception Services	532,310	27.94
Security Services	338,872	0.62
Waste & Environmental Services	109,069	0.1
Grounds Maintenance	731,868	10.22
<b>Total</b>	<b>6,191,619</b>	<b>115.74</b>

\*Includes employees and internal temps (approx 260 people)

\*\*Excluding the BMRF expenditure of approximately £508,000



## Appendix Two

# Medway Council and Norse

## Creation of a joint venture company for a total FM solution

### Principal Heads of Terms

#### 1. Background

***The council and Norse will enter into an agreement to facilitate the creation of a joint venture company. These Principal Heads of Terms are the fundamental points intended to form the basis of a formal contract.***

#### **Under the terms of the agreement:**

Norse will at its own expense, determine the savings that could be delivered through a joint venture company in accordance with the scope in these Principal Heads of Terms and available specifications.

The parties will enter into a 10-year agreement for the core facilities management (FM) services detailed below for buildings owned by the council and other assets (as may be agreed from time to time) upon the terms outlined below.

Norse will provide a Business plan for:

Statutory maintenance contracts (boiler servicing, etc...)	Printing services
Corporate cleaning	Catering
Building maintenance	Meeting room management
Security including opening and closing of buildings	Health and safety management of buildings
Window cleaning	Cash collection
Public Toilet cleaning	Records management including archiving
MFDs (printers)	Store management
Courier services	Other miscellaneous FM services

#### 2. Contract for the Joint Venture Company (JVC)

##### **2a. Term and funding**

For a term of 10 years, the council will provide funding in the region of £7 million per year for core services as detailed above - amended in accordance with the outcome of the due diligence discussions.

Additional services will be added into the JVC as is identified and required from time to time as part of the annual review of the business planning for the JVC.

The scope and value of services outside of the core FM service is still to be agreed.

### ***2b. Services to be delivered***

A minimum of the core services for the benefit of the council or delivered to other organisations, through commercial arrangements, as determined / agreed at the annual reviews.

### ***2c. Key outcomes/features***

- Norse has agreed to 3 apprenticeships in year one and a total of 10 apprenticeships over the first three years. The apprenticeships will be offered to care-leavers/looked after children; former service personnel and people with disabilities.
- Sub-contracting of service delivery to (local) SMEs only\*
- Recruitment of a local Managing Director
- Local office presence within Medway boundaries
- 10 to 15% savings by year 2
- Income generation in year 1 growing to 10% in year 2
- Medway Council to chair the Board of Directors and the Operational Liaison Board
- Medway Council to have a Corporate Policy veto

\*Use of the word 'local' and the assignment of a percentage to be determined following benchmarking by Medway Council.

### ***2d. Service Specifications***

Detailed service specifications for the various types of services, detailed in the table in section 1, Background, is to be agreed but will:

- be determined based on departmental/property needs and strategic plans of the council
- specify the facilities to be provided
- determine referral and response arrangements – including clear statements on the process, response times.
- determine the arrangements for assessment of delivery and prioritisation
- identify staff establishments / skill requirements
- determine management arrangements
- determine any tenancy arrangements for the mobilisation or long-term accommodation requirements
- determine the arrangements for managing TUPE of contracted personnel and those employed by Medway Council

- determine an escalation and challenge procedure when the JVC is not delivering the quality or outcomes agreed in the JVC contract, business plan and/or specification.

#### ***2e. Payment of funding***

Payments will be one month in arrears with monthly reconciliation.

Norse to be responsible for collecting any payments from organisations that have agreed a commercial arrangement for delivery of services.

#### ***2f. Review of funding***

The council and Norse will agree a formula as the basis for the review of the funding for the JVC.

Funding under this Agreement to be reviewed not more frequently than annually and normally for funding adjustments to have effect from the date of proposed amendments each year.

The funding to be adjusted to meet the costs of delivering the agreed services and what the council can afford to transfer (up, down or no change) and not exceeding –

- The pay review of Medway Council personnel, in accordance with local arrangements.
- The cost movements in the benefit pension scheme in relation to the staff who transferred from the employment of Medway Council in 2013, but who still remain in the KCC scheme.
- The cost of any changes to relevant legislation or regulations.
- Underlying average RPI(x) for the twelve months preceding November for non staff costs but subject to benchmarking and any appropriate further price adjustments as part of the 5-year contract reviews and with a tolerance of 5% on the results of such benchmarking.
- The use and costs of utilities.

Norse will be expected to operate an efficiency strategy in respect of the utilities.

#### ***2g. Contract Review***

The parties agree to an annual operational review of services and a full contract review at 4-yearly intervals.

#### ***2h. Risk***

Insulation clause needed to protect Medway Council against financial or other implications of instability in any other part of Norse operations.

## ***2i. Termination***

Provision for either party, or both by agreement, to terminate the contract at the 4-yearly Contract Reviews should continuance of the services not be viable for either or both parties. Each party will be required to use their best endeavours to find a local resolution before recourse to independent arbitration in the event of disputes, or termination if agreed in other circumstances by the council and Norse, or termination of the Contract by the council.

## ***2j. Arbitration***

The council and Norse will seek to resolve any dispute by agreement but in the absence of any such agreement the matter shall be referred to an appropriately experienced and qualified expert as shall be agreed and whose decision will be binding or otherwise by an expert appointed by the President of the Law Society.

## ***2k. Key performance indicators***

The key performance indicators for the joint venture company will include as a minimum the information in the table overleaf and the following:

- Monitoring of the financial proposal from the business plan
- Income targets for catering using the outturns of 2012/13 as the baseline



## XXXXX OPERATIONAL SUMMARY

201X/1X Issue number: 1		PX	Measured Performance				
Internal Business Perspective		Reporting Officer	Target	Previous 201X/1X	Month Actual	YTD Actual	Data Frequency
SOC	Performance measure						
1d	Gain ISO9001 accreditation. Internal and external audits.	XX	Implementation by XXXX 201X				6 monthly
1d 1L	Regular H&S audits	XX	Maximum of X reportable accidents per year				monthly
1d 1L	Compliance with XXXXX H&S policy	XX	Annual review of emergency resilience planning process				annual
1e	Ensure Risk Assessments relevant and up to date	XX	Review annually in XXXX or for new procedures				annually
1e	Ensure risk register is relevant and up to date	XX	Review annually in XXXX				annually
1a 1b 1i	Review QMS and COSHH manuals	XX	Review annually in XXXX				annually
Financial Perspective		Reportin Officer	Target	Previous	Month Actual	YTD Actual	Data Frequency
SOC	Performance Measure						
2a	Achieve profit level for year	XX	XXXXX				monthly
2c 2a 2d	Achieve sales budget by year end	XX	XXXXX				monthly
2a	Maintain labour as a percentage of sales (areas)	XX	XX% across division				monthly
2a 3a 3b	Achieve materials & food budget	XX	Maximum XX% of labour costs				monthly
Learning and Growth Perspective		Reportin Officer	Target	Previous	Month Actual	YTD Actual	Data Frequency
SOC	Performance Measure						
4a 4d	Ensure all staff receive induction training within 7 days of joining (H01)	XX	100%				monthly
4a 4b 4d	Ensure all staff receive basic skills training within 7 days of joining	XX	100%				Quarterly
4a 4b 4d	All staff to have completed 8 core module training within 3 months of start date	XX	100%				monthly
4f	Control shortfalls in labour due to sickness and other absence	XX	Sickness absence less than X%				monthly
4b 4g	Jobs for disadvantaged communities/ groups	XX	X new employees per annum				monthly
4b 4g	Contain staff turnover	XX	XX% maximum				monthly
Customer Perspective		Reportin Officer	Target	Previous	Month Actual	YTD Actual	Data Frequency
SOC	Performance measure						
6a	Increase Customer Satisfaction	XX	XX% monthly Satisfaction Certificate level				monthly
	Improve customer satisfaction levels through regular XXXX						

Page 1

# Appendix Three

## Business Plan from Norse

**NORSE SOUTH-EAST**

**A JOINT VENTURE BETWEEN MEDWAY COUNCIL AND NORSE COMMERCIAL SERVICES**

**EXECUTIVE SUMMARY**

**STRATEGIC CONTEXT**

**THE PROPOSAL**

**FINANCIAL PROJECTIONS**

**TIMELINE**

**BENEFITS**

**ABOUT NORSE**

**JOINT VENTURE COMPANIES**

## EXECUTIVE SUMMARY

This proposal concerns the transfer of a range of Facilities Management and related services, currently directly delivered by Medway Council's in-house teams, or by external contractors, into a new Joint Venture Company (JVC), *Norse South-East*. The transfer of these services will help achieve the key objectives of:

- Securing local employment by maintaining, creating and supporting jobs in the Medway area
- Facilitating opportunities for income generation to reduce overall service delivery cost to the Council
- Allowing the services to benefit from a commercial partner bringing industry best practice and group backed support services
- Maintaining a high degree of control over service delivery, and the continued involvement of members

Norse is ready to undertake the transfer of services from 1 June 2013, and would welcome the opportunity to transfer other services from the Council in the future. The anticipated initial turnover of the combined service amounts to approximately £7.5 million.

*Norse South-East* would aim to deliver the FM objectives of Medway Council, assisting in achieving strategic goals, combining the best practices of both the public and private sector, providing security and opportunities for staff, and generating additional resources for the company and its shareholders.

Norse Commercial Services has a distinguished track record of successful and profitable partnerships with ten other local authorities in England and has proved itself to be a flexible, trustworthy and committed partner in these pioneering joint ventures.

As can be seen from the financial projections set out in this Business Proposal, this initiative will not only help Medway Council to achieve the efficiencies it seeks but will also provide a high degree of security for the existing workforce.

Backed by a solid business case, the proposal will help to underpin the local economy, safeguard – and improve – service delivery, and will ultimately aim to return profits to the council, which can then be reinvested into the local community.

In short, this proposal is good for Medway Council, its staff, its citizens and the Medway economy. Indeed, the extended JVC model being proposed is being viewed with keen interest by a number of other local authorities.

As Norse has already established a number of these joint ventures, many of the hurdles in transferring services have already been overcome, and this will enable the migration of these services to be accomplished smoothly and quickly.

Approximately 120 full-time equivalents are currently employed in these operations; existing staff will transfer under Transfer of Undertakings Protection of Employment (TUPE) regulations, ensuring a high degree of security and protection of employment terms and conditions.

Norse has an exemplary record in its dealings with trade unions in other such joint ventures and has established a relationship of trust and mutual respect with union officials. It is recognised as a caring employer which has won regional and national awards for its people-focused approach towards work inclusion, corporate social responsibility, and staff training and development.

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One Unison branch chairman has described his union's "excellent working relationship" with Norse as one that is both "flourishing" and "cherished".

By introducing commercial practices, the business will benefit from increased productivity and efficiency, driving down costs, as well as increasing external revenues through effective sales and marketing. Medway Council will share in its success through a profit-share arrangement.

At the same time, because of Norse's background, the best of public sector practices will be maintained in the treatment of both staff and clients, along with a commitment to the highest service standards and to providing benefits to the local community.

Norse is experienced in working closely with and listening to officers, members and residents to best deliver their priorities in service delivery. The existing team would deliver continuity of service and continue to be as accessible to members and officers as they are already.

The approach to Corporate Governance will be managed by a formal company board of joint directors and a Partnership/Liaison Board, and this is outlined in further detail later in this proposal. A Medway member, Cllr Jarrett, will chair the Company Board, and Norse will retain a controlling interest through a majority on the Board.

This Business Plan outlines the operational methodology, benefits and risks of the proposed transfer, and concludes that this approach is:

- **Good for the Council, through cost savings and profit share**
- **Good for the Service, through growth and improved quality**
- **Good for the Staff, through increased job security, stability and personal development**
- **Good for the community through the provision of high quality efficient services**

## STRATEGIC CONTEXT

Medway Council has two core values:

- Putting our customers at the centre of everything we do.
- Giving value for money.

These core values underpin all the council's work and its delivery of services to the people of Medway.

The council has five strategic priorities:

- A safe, clean and green environment.
- Children and young people having the best start in life.
- Adults maintaining their independence and live healthy lives.
- Everybody travelling easily and safely around Medway.
- Everyone benefitting from the area's regeneration.

This proposed joint venture will be managed in such a way as to support these priorities wherever it can, particularly with regard to giving young people the best start in life (through helping reduce NEETS, providing apprenticeships and work experience etc); and contributing to the area's regeneration by releasing funds and supporting local SMEs.

### Helping Medway Council to Meet its Budget

These are extremely challenging times economically for public sector organisations across the UK.

With further severe cuts announced in public finances, never before has there been so much pressure on senior managers within the public sector to deliver savings in front-line services – finding efficiencies and innovative ways of working while avoiding a major impact on the communities they serve.

By working in harmony with companies such as Norse, Medway Council is looking to increase cost efficiency and raise standards of delivery, protecting front-line services and ensuring value for money for its residents, while nurturing and developing its workforce.

Norse has considerable experience of highly successful JVCs elsewhere, and can offer economies of scale, operational efficiencies, and benefits to the local economy through local employment and supply chain opportunities.

With strong public sector roots itself, Norse knows how to deliver the best services into the hearts of communities, and its commercial flair and public service ethos are a powerful combination.

Norse joint ventures can trade in wider markets and compete for external contracts, so the new JV would be able to provide better returns to Medway Council through the profit-share arrangement – and ensure long-term security and stability for employees.

As Norse underwrites any losses in the operation, the risk to Medway Council is significantly reduced.

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**As with all of its other joint ventures, Norse will deliver efficiencies while maintaining the highest service standards, by introducing more commercial practices. By developing the workforce, investing in resources, and giving the management a much greater degree of autonomy, these services – and the people involved in them – will be allowed to flourish as never before.**

## THE PROPOSAL

### STRUCTURE AND OWNERSHIP

**It is proposed that a range of Medway Council's frontline services will transfer into a newly formed company, Norse South-East Ltd, co-owned by Medway Council and Norse Commercial Services.**

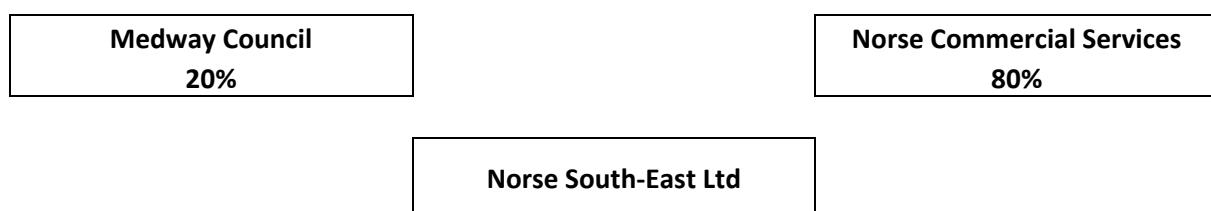
The first tranche of services will include:

<b>Statutory maintenance contracts (boiler servicing, etc...)</b>	<b>Printing services</b>
<b>Corporate cleaning</b>	<b>Catering</b>
<b>Building maintenance</b>	<b>Meeting room management</b>
<b>Security including opening and closing of buildings</b>	<b>Health and safety management of buildings</b>
<b>Window cleaning</b>	<b>Cash collection</b>
<b>Public Toilet cleaning</b>	<b>Records management including archiving</b>
<b>MFDs (printers)</b>	<b>Store management</b>
	<b>Other miscellaneous FM services</b>

**A further, second tranche of services will follow during 2014/15.**

A JV Managing Director will be appointed, with overall responsibility for the management of the company, supported by Dean Wetteland, Norse's FM Director. Dean has extensive experience of joint ventures, with current involvement in both Devon Norse and Barnsley Norse.

Norse South-East Ltd Structure



**Medway Council will receive 100% of first year profits, and thereafter 50% of all profits generated by Norse South-East Ltd.**

A new Partnership/Liaison Board will be established, consisting of:

- 1 Senior Officer from Medway Council
- 1 Senior Member of Medway Council
- 2 Norse Directors
- The MD of Norse South-East

The Partnership/Liaison Board can also include other stakeholders if appropriate. These may include schools representatives as the education sector offers a substantial opportunity for the company to increase its revenues; any such decisions would be made by Medway Council.

In other Norse joint ventures we manage the Full Board meetings immediately following the OLB, and simply adopt the OLB's minutes as part of the Full Board's agenda. This is an efficient way to avoid duplication as most of the players are the same people. We would suggest this approach for Norse South-East.

The Partnership/Liaison Board meets regularly to consider all issues presented to it concerning the performance of the services, including any matters to be discussed by the Board of Directors of the company. It will make recommendations to the company or to the Council. The purpose of the OLB is to:

- Agree and set relevant Key Performance Indicators (KPIs), monitor the partnership's Balanced Scorecard and receive additional performance reports as required;
- Monitor and review the partnership's performance in respect of achieving the annual Business Plan;
- Make recommendations regarding the delivery of the services to the company and to the Council;
- Provide communication links to other members and officers of the Council.

The services will be undertaken for Medway Council by Norse South-East on a contractual basis, with specifications, frequencies and key performance indicators agreed during mobilisation.

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## THE PROPOSAL

### GOVERNANCE

All of the Norse joint ventures are limited companies. Governance of Norse South-East Ltd will be provided by the Board of Directors, made up of three senior representatives from Norse and two from the authority; it is proposed that a senior Medway Councillor is appointed as Chair, with Norse holding a majority for voting purposes.

Directors are appointed by, and answerable to, the shareholders and they are required to act in a way which they consider most likely to promote the success of the company, with regard to long-term factors, the interests of other stakeholders and the community, and to the company's reputation.

Shareholding is generally split 80% Norse and 20% partnering authority. Regular (usually quarterly) Board meetings are held, at which statutory duties are carried out and decisions made about the company's activities. Annual audited accounts are produced.

In addition to the Board of Directors, a Partnership/ Liaison Board is formed, reporting to the main Board, as described above.

**As the profit-share is based on a guaranteed rebate for tax efficiency, an annual Business Plan is drawn up and the rebate set at the beginning of financial tax year. This enables us to set clear financial and operational objectives – and to provide robust budgets for the company.**

The annual Business Plan agreed between the company and the Council will:

- Detail the outputs of the company and any agreed Key Performance Indicators for the services it will deliver;
- Include the overall strategy of the company and how it plans to assist the Council in the delivery of its own strategy;
- Detail the financial and staffing resources required to enable the company to deliver the services – and describe any improvements, enhancements or development of the provision of the services;
- Include a financial and resourcing plan, which may also include a major investment plan if appropriate.

## **Members, Strategy and Policy**

A managing Director will be appointed to manage Norse South-East Ltd. Council Members would be encouraged to maintain direct contact with the MD and his/her team, to report local issues and answer any service queries they might have.

While Medway Council would be expected to continue to control the strategy and policies relating to the transferred partnership services, Norse South-East would play an active role in providing information and experience through producing reports to, or participating in, roles for the Council.

## **Formal Board**

For the purposes of compliance with the Companies Act, the company will have a formal company Board on which Norse will have the majority voting rights. As described earlier, Formal Board meetings will follow the OLB's meetings and adopt its last minutes as the Company Board minutes.

## **Contract Length and Exit Arrangements**

The partnership term would be for ten years, with a 10-year extension option. In the unlikely event that Medway Council is dissatisfied with the performance of the partnership to the point that it would like to terminate arrangements, then this would be possible through meeting the underlying contractual termination clauses. Generally, Norse JVs have a termination clause allowing either party to terminate the arrangement giving 12 months notice at any time during the partnership term.

**Apprenticeships** – Norse South-East will provide at least three apprenticeships in the first twelve months of the agreement, increasing over time; funding of these places will be provided by Medway Council.

**Sub-contracting to local SMEs** – Where practicable, any services delivered by external parties will be sub-contracted to SMEs local to Medway.

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## **The Teckal Principle**

It is a well-established principle of EU procurement law that the open advertising and tendering rules for public contracts do not apply where a public body obtains services from “in-house” sources. This is the so-called **Teckal Principle**, and Norse joint ventures benefit from this exemption.

The Teckal exemption applies in circumstances where two or more contracting authorities get together and form a separate legal entity such as a joint venture over which they have control and which provides the majority of works or services back to one or more of the authorities.

In these circumstances any contracts for works and services entered into between a contracting authority and the JV is not a public contract for the purposes of the regulations.

The Teckal exemption complements the in-house exemption, which is where a contracting authority obtains works and services using its own internal resources.

Any arrangement must satisfy both the Teckal conditions which are:

- (1) the authorities must exercise no less control over the company than they exercise over their own departments:
- (2) the company must carry out the essential part of its activities with the authorities.

Further there must be no element of private equity and the authorities must have a power of decisive influence over the strategic objectives and significant decisions of the company.

**This proposed joint venture, Norse South-East, is fully compliant with the Teckal Principle.**

## **TIMELINE**

MARCH 2013	FORMAL APPROVAL RECEIVED
MARCH 31 2013	LEGAL DOCUMENTS DRAFTED (PERFORMANCE CONTRACT; SHAREHOLDERS' AGREEMENT; COMPANY ARTICLES ETC)
APRIL 7 2013	NORSE SOUTH-EAST LTD INCORPORATED
APRIL 30 2013	PARTNERSHIP DOCUMENTS SIGNED
MAY 1 2013	MOBILISATION COMMENCES
JUNE 1 2013	SERVICES TRANSFER TO NORSE SOUTH-EAST; TRADING COMMENCES

## BENEFITS

### MEDWAY COUNCIL

- ❖ **Cost savings** – a key aim of Norse South-East will be to provide better value for money for Medway Council in the delivery of the specified services, through cost-efficiency, reduced overheads and improved performance. The financial projections set out in this Business Plan demonstrate cost savings of 7% in the first year. Subsequent years show a growth in external business, which produces financial benefits for the Council through the profit share arrangement. The experience gained in the first year of trading will enable us jointly to identify cost reductions and/or service improvements, which can be implemented over the course of the partnership.
- ❖ **Profit share** – among many advantages of Norse joint ventures is an attractive profit-share arrangement, in which an annual rebate from external revenues is returned to the local authority partner (in this case, Medway Council) and can be reinvested in local services. This is particularly welcome in times of unprecedented pressure on public sector funding. With Norse forgoing its profit share in the first year, the projected rebate for Medway Council is **£316k** in 2013/14.
- ❖ **Future growth** – Norse JVCs are highly commercial enterprises. Not only do they deliver public services to agreed standards – often surpassing them – but they are also constantly looking at potential new business opportunities in and around the communities they serve. It is anticipated that this joint venture will therefore grow through successful tendering for external contracts, bringing further job security and taking the partnership from strength to strength.
- ❖ **Stability and security** – Norse is a reliable, trusted and financially secure business which can work in partnership with Medway Council to deliver the JV's services with dependability and integrity.
- ❖ **Greater control** – the proposed joint venture will give Medway Council strategic control than traditional outsourcing of services and will be wholly local authority owned. The JV will also combine all the best qualities of public sector service with a sharp commercial focus. Across all of its work, Norse has sought to break away from the traditionally rigid client/contractor relationship and nurture genuine and mutually rewarding partnerships instead.
- ❖ **Ready on time** – this arrangement can be in place and mobilised on time: for delivery of services to begin on June 1, 2013, with a seamless transition. The JV option is legally sound, using the Teckal exemption, and it is both feasible and achievable in terms of the Council's proposed timeline.

- ❖ **New brand** – taking Norse South-East forward will give Norse and Medway Council an opportunity to develop a new culture and brand: one that represents high standards of customer satisfaction and quality, coupled with local strength and solid community values. Effective sales and marketing will build the brand further and focus on fresh business opportunities at all times.
- ❖ **Shared values** – Norse and Medway Council share the same ethos and values. Norse is committed to a partnership approach based on open-book accounting, trust, respect and transparency in every area of operation. Norse's overall management approach combines professionalism with innovation and the success of this partnership will depend on strong local management who enjoy a high degree of autonomy and are empowered to make decisions.
- ❖ **Caring approach** – because Medway Council will continue to have a strong influence on the company's approach, its commitment to social inclusion and equality will be adopted and strengthened. Norse has an excellent track record in these areas, having won several regional and national awards for its work in promoting social inclusion, recognised by Big Ticks from Business in the Community (BITC).
- ❖ **More apprenticeships** – Norse's commitment to providing apprenticeships will help Medway Council meet its own objectives in relation to NEETS. Norse currently offers 100 places to apprentices, and has a history of providing job opportunities to the long-term unemployed (including ex-offenders).
- ❖ **Focus on training** – with more than 10,000 employees, staff training and development is among Norse's top priorities. The company's training activities have been recognised both locally and at national industry level as comprehensive, targeted and of the highest standard. Vocational training and professional development enhances the skills of Norse staff, with an individual approach complementing continuous on-the-job learning. Norse equips members of its workforce not only with skills that make them better at their job: it also focuses on 'life skills' that will develop them as people. Literacy and numeracy programmes are therefore high on the company's learning and development agenda.
- ❖ **Protection assured** – with a 25-year record of providing services to schools, care homes and other clients with vulnerable people, Norse has tried and tested systems to ensure that all child protection requirements are met. All staff who are likely to come into contact with vulnerable adults and children are required to undergo enhanced CRB checks, and further vetting procedures are undertaken as required.

## BENEFITS

### THE PEOPLE OF MEDWAY

- ❖ **Raising standards** – improving performance and providing a high quality service will be central to the work of Norse South-East. By growing the Norse South-East brand and delivering services effectively and efficiently, it is expected that residents, businesses and visitors will notice the clear raising of standards and the pride Norse South-East is taking in the community. This will help to promote a culture of service excellence in the workforce, and to reinforce the neighbourhood approach to service delivery.
- ❖ **Customer satisfaction** – Norse has always been a customer-focused company: listening and responding with great care to the views of customers and other service users. Part of providing a quality service involves gaining as much customer feedback as possible – whether it's positive or negative. As part of its commitment to partnership and client consultation, Norse carries out regular customer surveys; this includes a major annual telesurvey in which it seeks the views of every customer across the business. Norse's most recent survey, conducted in late 2011, revealed 95% overall satisfaction with service and a 93% rating for "confidence in awarding further contracts to the company". The combined quality assurance controls of Medway Council and Norse will apply to this venture.
- ❖ **Continuity of service** – the effective and well-planned mobilisation of Norse South-East will ensure a seamless transition from the current arrangements to the new partnership arrangement. This will mean that service delivery in the communities of Medway will be unaffected. A long-term partnership between Medway Council and Norse will offer stability and peace of mind – and can be promoted as a "good news" story locally.
- ❖ **Supporting tax-payers** – under Norse South-East's profit-share arrangement, an annual rebate from external revenues will go to Medway Council, which can be reinvested in local services. Amid unprecedented pressure on public sector funding, this will doubtless be welcomed by local council tax-payers.

- ❖ **Boosting the economy** – the creation of Norse South-East will be a positive step for the local economy, offering job security for staff, strengthening Norse's position as a major employer and supporting businesses through the local supply chain. As a company which champions partnerships across the UK, Norse is keen to foster and promote long-term relationships with local SMEs – building up solid bonds of trust that bring mutual rewards and prosperity. The company also looks to "buy local" wherever and whenever possible, supporting the economies and communities in which it operates. Norse's innovative and entrepreneurial spirit means it also strives to develop new links with fresh suppliers: often helping younger companies to grow and encouraging new ways of working and thinking. Likewise, thoughtful and well planned procurement is central to the way Medway Council delivers its objectives. In all its procurement, Medway Council aims to buy goods, works and services in an ethical and sustainable way that will optimise its use of resources, providing value for money and contributing to the provision of good quality services for the citizens of Medway. These procurement policies will, of course, jointly apply to Norse South-East.
- ❖ **Community partnerships** – Norse is a major employer providing front-line services in cities, towns and villages around the country and therefore takes its Corporate Social Responsibility very seriously. The company not only focuses strongly on staff induction, training and development but also looks at how it can invest in employees' families, friends and the citizens of the communities it serves. Norse helps and sponsors numerous charitable and community projects, and addresses social issues, such as work inclusion. These efforts have been highly acclaimed and have secured a string of regional and national awards. Norse South-East will be keen to develop links with various stakeholders, playing its part in council and community initiatives, flying the Medway Council/ Norse South-East flag wherever possible and being very much part of local life.
- ❖ **Environmental awareness** – Norse puts the health of the planet high on its agenda and, like Medway Council, is always looking to improve its green credentials by finding cleaner and greener ways of working. The company has already achieved ISO14001, and, as with all the other Norse JVs, Norse South-East will seek to make operations more efficient and reduce waste, both in terms of processes and resources. By sharing resources and overlapping JVs wherever possible, for example, Norse staff are able to deliver services across borders, acting as mutually supportive "sister" organisations rather than sticking rigidly to pre-defined territories. This "working towards a common goal" approach is much welcomed by Norse's JV partners as it reduces wastefulness, cuts fuel miles and better deploys personnel and equipment. Medway Council has a clear policy in place to meet its national and international legislative obligations, to develop local sustainable communities, enhance the local environment, deliver environmentally-friendly services and enforce environmental legislation to help stem the depletion of finite natural

resources. The combined “green thinking” of Medway Council and Norse will be embedded into Norse South-East’s operations.

- ❖ **Listening and responding** – Norse is always keen to ensure that communities take a pride in their open spaces and, through its many commercial partnerships, has become renowned for engaging with tenants and residents, encouraging them to help shape the decisions that affect them. In keeping with the Council’s strategic aims – Norse South-East will be keen to ensure that such community engagement is an important part of its work.

## BENEFITS

### STAFF

- ❖ **Smooth transfer** – ensuring a smooth and thoughtfully planned transfer of staff to the new Norse South-East JV will be vitally important in the months ahead. Through many joint ventures and commercial contracts, Norse has gained considerable experience of smooth TUPE transfers, treating staff with respect and winning praise from employees and trade union representatives for a considerate and people-focused approach. Norse has a respectful and constructive relationship with trade unions and a well-earned reputation for taking staff care and equality issues very seriously.
- ❖ **Professional process** – Norse’s Human Resources team will co-ordinate the TUPE transfer of staff, ensuring full compliance with the legislation and current Codes of Practice. Norse understands the sensitivities and personal nature of the process and has extensive experience and arrangements in place for constructive dialogue with trade unions and other employee representation forums. Positive communication with the workforce is fundamental and Norse always develops a clear strategy to ensure partnership awareness and engagement of the existing and any transferring workforce.
- ❖ **Flow of information** – as TUPE is highly emotive, it is essential that Norse South-East captures the hearts and minds of transferees during the mobilisation phase and ensures the teams are fully committed to the joint objectives of Medway Council and Norse. Months of careful and detailed planning go into every partnership and contract Norse is involved in, and managers will be keen to explain how the new system will operate and the numerous advantages it will bring to Medway Council, the staff and communities across Medway.
- ❖ **Job security** – by transferring to Norse South-East, staff will become part of one of Medway’s leading companies, and will join a growing group-wide workforce of more than 10,000 people. As a JV, Norse South-East will not have to tender for the designated services – and staff can therefore feel secure in their jobs and positive about the future.
- ❖ **Valued workforce** – employees are at the heart of Norse’s culture, values and day-to-day operations. The company has its own in-house Training Academy and is renowned nationally for its innovative approach to training and development. Norse equips members of its workforce with skills that make them better at their job, as well as looking at the “life skills” that will develop them as people. Literacy and numeracy programmes are therefore high on Norse’s learning and development agenda.

- ❖ **Protection of rights** – by transferring into the new Norse South-East JV, employee rights will be fully protected.
- ❖ **New talent** – Norse is passionate about investing in young people and the new Norse South-East venture will form part of its apprenticeship programme. Norse is currently playing a key role in the recruitment of apprentices and aims to have 100 apprentices a year, covering young people in areas such as Facilities Management, catering, building maintenance and business administration.
- ❖ **Staff retention** – achieving consistently high standards requires a stable, motivated workforce. Norse is understandably proud of its exemplary record on staff retention, with turnover in our joint ventures currently running at less than 5%. Staff joining Norse South-East will therefore become part of that culture.
- ❖ **Focus on technology** – Norse is always keen to invest in new technology/equipment which improves service levels and helps staff to carry out their daily work. Norse South-East will also take great care to ensure that the environment in which employees work is as safe, secure and comfortable as possible.
- ❖ **Celebrating success** – Norse always treats its staff fairly and with respect, and has won local, regional and national awards for the emphasis it places on staff development, workplace inclusion and wider community issues. Norse South-East employees will be encouraged to get involved in the annual Pride of Norse Awards, a special gala gathering that highlights the many “heroes” among Norse staff and celebrates their successes.
- ❖ **Caring approach** – because Medway Council will continue to have a strong influence on the company’s approach, its commitment to social inclusion and equality issues will be adopted and strengthened. Norse has an excellent track record in these areas, having won several regional and national awards for its work in promoting social inclusion, recognised by Big Ticks from Business in the Community (BITC). Norse operates a number of different employability programmes, working with the long-term unemployed, those with dependency issues, ex-offenders, care leavers, lone parents, refugees, the vulnerably housed and those with mild to severe learning difficulties. Having led the way with projects to help more vulnerable members of society into work, Norse Commercial Services won the BITC Employability Award in 2010. Keen to encourage other companies nationally to support people from excluded groups into employment, Norse sponsored and renamed the trophy as the Norse Commercial Services Work Inclusion Award.

## BENEFITS

### NORSE

- ❖ **Important growth** – Norse Commercial Services has grown considerably in recent years and is now part of the influential and highly successful Norse Group, a business with an annual turnover in excess of £250 million and more than 10,000 staff. Establishing the Norse South-East joint venture would bring further growth and develop Norse's increasingly important role as a strategic partner for local authorities across the country.
- ❖ **Regional player** – Norse plays a significant role across the East of England and, in the 2012 Top 100 list of businesses in Norfolk and Suffolk, jointly produced by the Eastern Daily Press and the East Anglian Daily Times, is placed 15th. The ranking is based on turnover as well as profitability and staff numbers. New ventures such as Norse South-East help to reaffirm Norse's importance as a regional leader in its sector.
- ❖ **New opportunities** – the growth of Norse through new JVs, and closer working relationships with authorities such as Medway Council, will give the business increased credibility when bidding for future contracts and partnerships. In 2011/12 Norse submitted commercial tenders for over 50 major contracts, with a 49% success rate, bringing over £10 million of additional revenue into the company.
- ❖ **Playing to strengths** – the services to be provided by Norse South-East are areas in which the company is highly experienced and has considerable resources. Setting up this new JV will play to Norse's strengths and be a natural extension of the services it already provides for City Hall.
- ❖ **Welcome news** – as a major employer, Norse is keen to celebrate local successes and to ensure job security for local people. The new joint venture and the growing alliance between Norse and Medway Council will therefore be seen as a "good news" story, worthy of promotion locally, regionally and nationally.

## ABOUT NORSE

<b>Trading for 24 years</b>	<b>£250 million turnover</b>	<b>10,500 employees</b>
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Norse Group is an award-winning national business, working closely with local authorities across the country to deliver key services in communities – and saving millions of pounds of public money every year.

Norse's work is touching the daily lives of hundreds of thousands of people: from tidier streets, parks and gardens, healthier school meals, improved local transport and well-run care homes to the design and maintenance of safe, clean and eco-friendly buildings.

Based in Norwich and owned by Norfolk County Council, Norse Group brings together FM specialist Norse Commercial Services, property consultancy NPS Group, and care homes provider Norse Care.

With a combined turnover in excess of £250 million, Norse Group provides employment for more than 10,000 people.

Norse is proud to be at the heart of local life, delivering quality public services, serving communities with real dedication and providing secure jobs amid very tough times.

Underpinning Norse Group's success is a thoughtful and consistent approach to growth and investment, with a clear emphasis on the priorities which make a business both successful and sustainable.

Norse therefore attaches great importance to issues such as staff retention, training and development, quality assurance, Corporate Social Responsibility, improving its green credentials wherever possible and forging long-term, secure business partnerships.



Norse has been pioneering a radical and cost-saving approach to delivering public services – from front-line services to asset management – by joining forces with the public sector to form Joint Venture Companies (JVCs).

The company's **commercial flair** and **public service ethos** create a powerful combination – improving services for clients, saving costs and driving profits through economies of scale.

Joint ventures now account for around half of the company's turnover, and this is expected to increase in the coming years as local authorities explore new ways of delivering front-line services.

At the same time, Norse's operating divisions, providing services through more traditional contractual arrangements, continue to grow.

In 2011/12 Norse submitted commercial tenders for over 50 major contracts, with a 49% success rate, bringing over £10 million of additional revenue into the company.

NORSE JOINT VENTURES	NORSE OPERATING DIVISIONS
Gt Yarmouth Borough Services	Commercial Services (Cleaning etc)
Suffolk Coastal Services	Waste and Recycling
Waveney Norse	Transport
Norse Eastern	Catering
Norwich Norse	Building Maintenance
Devon Norse	Total FM
Wellingborough Norse	Grounds Maintenance
Barnsley Norse	Security
Suffolk Norse	Street Cleansing
Enfield Norse	

Services offered in both Norse's operating divisions and joint ventures include:

- Street Cleaning
- Grounds Maintenance, Landscaping and Arboriculture
- Waste Management and Recycling
- Building Maintenance
- Catering
- Security
- Building Cleaning
- Transport and Fleet Management
- Community Equipment Services.

Tendering for large numbers of contracts, in both the public and private sectors, means that Norse is continually exposed to the wider market. Because successful tendering depends on demonstrating that the company is cost-efficient, as well as technically competent, it is a clear indicator that Norse is highly competitive.

The market intelligence and knowledge gained through tendering informs Norse's approach to joint ventures – ensuring that its partners share in the rewards, and remain confident that Norse delivers best value.

## JOINT VENTURE COMPANIES

Amid tough economic conditions, the innovative Norse joint venture model is attracting national interest, enjoys considerable media interest and been praised by local authority chief executives, councillors, union officials, staff and the wider public.

Local authorities reluctant to outsource key services directly to private contractors find the Norse approach is an attractive alternative.

Whereas within a local authority each service will usually have self-contained budgets, Norse's partnership arrangement offers the flexibility to manage the bottom line in the most efficient manner, as long as agreed outcomes are delivered.

More than anything, it provides the JVC management with the ability to innovate, to compete for external contracts and to reinvest cost savings made through greater efficiency in service delivery.

Norse JVCs are highly commercial enterprises. Not only do they deliver public services to agreed standards – often surpassing them – but they are also constantly looking at potential new business opportunities in and around the communities they serve.

Since 2002, Norse Group has established 19 JVCs, including NPS Norwich and partnerships with authorities in Great Yarmouth, Suffolk, Enfield, Wigan, Wakefield, Wellingborough, Stockport, Waltham Forest, Devon, Hull and Barnsley.

Nationally, Norse has helped to create public sector savings of more than £50 million in the past five years, through working more efficiently. Norse establishes profit-share agreements with its JV partners so that a percentage of the profits can be ploughed back into public funds.

Norse Group has extensive experience of TUPE regulations, successfully integrating several thousand personnel over the last 12 years, both from the public and private sectors.

In the face of public funding cutbacks, Norse's partnership solution has been welcomed by the public sector as a radical and successful option. Its JVs give authorities an alternative to outsourcing through the traditional OJEU process, without the need to maintain inefficient and outdated in-house operations.

The Norse approach has been applauded by unions and staff, with an emphasis on developing and training staff, empowering them in their roles and reaching out into local communities through sponsorship, learning projects and developing "life skills".

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## **Planning and mobilisation**

The key to success for any Norse joint venture is full, detailed planning. Norse therefore works extremely closely with new partners to ensure that everyone is in agreement with the JVC and is “on board” in terms of support and a clear determination to succeed. Norse invests much time, effort and resources into the planning stage of any JVC and its subsequent mobilisation.

Detailed planning and strategic meetings are held with proposed partner organisations and much thought is given to the staff involved – their needs, their concerns and their co-operation.

Through many joint ventures and commercial contracts, Norse has gained considerable experience of smooth TUPE transfers, treating staff with respect and winning praise from employees and trade union representatives for a considerate and people-focused approach.

Norse’s Human Resources team co-ordinates the TUPE transfer of staff, ensuring full compliance with the legislation and current Codes of Practice.

Norse understands the sensitivities and personal nature of the process and has extensive experience and arrangements in place for constructive dialogue with trade unions and other employee representation forums. It works collectively to ensure a smooth and positive transfer of these staff.

## **Norse Joint Ventures**

### **Barnsley Norse**

Formed in late 2011, Barnsley Norse was created under a 15-year agreement with Barnsley Council to deliver catering, cleaning, caretaking and courier services to council buildings and schools. Some 380 council staff transferred to Barnsley Norse as part of the venture.

The new company is a subsidiary of NPS Barnsley, an existing joint venture management company set up by NPS and Barnsley Council in February 2011.

NPS Barnsley provides asset management, building design and maintenance, works planning and delivery, corporate procurement and quantity surveying to Barnsley Council and other organisations in South Yorkshire.

Norse has been delighted with the difference Barnsley Norse is already making in local schools – a tangible raising of standards and a common-sense, cost-effective approach that is being both noticed and welcomed by headteachers, staff, governors, pupils and parents.

Barnsley Norse's aim is to provide an increasing range of services, not just to schools but to numerous commercial customers and to the wider communities of South Yorkshire.

### **Devon Norse**

In these times of economic pressure, Norse's pioneering approach to helping local authorities maintain high standards of service delivery will save Devon County Council money, protect local jobs and contribute to the local economy.

Looking for new, cost-efficient ways of working, Devon County Council was attracted to Norse's combination of public sector experience and commercial flair. The council believes these skills will develop the joint venture's business to everyone's benefit.

Devon Norse, built on the success of the NPS South West JV, has responsibility for delivering cleaning services to schools and various NHS sites and civic buildings, along with catering at many of the county's schools and for civic functions.

The 10-year partnership agreement has been hailed as a "winning combination" for delivering services across a range of sites in urban and rural locations. Launched in the summer of 2011, more than 1,500 council staff transferred to Devon Norse.

Under the terms of the £11-million-a-year arrangement, Norse will use its commercial expertise to deliver a range of outcomes defined in Service Level Agreements, raising standards and reducing costs.

A percentage of any profit from economies of scale, overhead reductions and operational efficiencies will be returned to Devon County Council.

In its first 12 months, Devon Norse has already enjoyed a number of successes. More children are opting for school meals, thanks to Devon Norse's new menus and relaunched catering facilities, and the venture has already secured an important cleaning contract for a string of ambulance stations.

## **Great Yarmouth Borough Services (GYB Services)**

GYB Services is a highly successful partnership between Norse and Great Yarmouth Borough Council, which delivers a range of front-line services, including refuse collections, recycling, street cleaning, public and amenity building maintenance, grounds care, footway lighting, street furniture and engineering services.

The friendly and hard-working GYB Services workforce is well known and respected across the borough, ensuring that Great Yarmouth is properly cleaned and maintained all year round.

This is not only important to local residents and businesses, of course, but to the many thousands of summer visitors who expect high standards of presentation and cleanliness from the famous UK holiday destination.

As with all Norse partnerships, outcomes are defined in appropriate Service Level Agreements and against specific Key Performance Indicators – ensuring that the community services Norse delivers are of a very high standard.

The dynamic partnership enables GYB Services' management to innovate and to reinvest cost savings in service delivery efficiency wherever it is most needed. This means improved services to residents and financial benefit to the local authority.

## **Waveney Norse**

Waveney Norse is a growing public services partnership between Waveney District Council and Norse.

Based in Lowestoft, Waveney Norse delivers front-line services to more than 56,000 households as well as numerous civic, commercial and business customers. Its role includes street cleansing, refuse collection, car parking, and management and maintenance of parks and open spaces.

Waveney Norse was formed in the summer of 2008, when Norse beat off stiff competition from private sector competitors to become part of a major public services partnership with Waveney District Council.

A 165-strong workforce was transferred by TUPE to the new joint venture company. Both Waveney Norse and Suffolk Coastal Services (see below) share the same Managing Director.

Set up as part of a continuing drive to improve services while delivering excellent value for money, Waveney Norse now has about 170 staff, rising to 200 in the summer season.

Since they began, both SCS and Waveney Norse have aimed to create more than just cost savings for their local authority partners. Operating as separate limited companies, they also have the freedom to compete for other public and private sector business opportunities.

This private sector work yields an annual profit percentage return to both SCDC and Waveney District Council.

Eager to gain even more benefits, the two joint ventures are working in harmony as mutually supportive sister operations: co-operating closely under the Norse umbrella to ensure that both districts enjoy the best possible value and maximum benefits.

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## **Suffolk Coastal Services (SCS)**

Suffolk Coastal Services was Norse's first Suffolk partnership, formed in 2004 to deliver strategic and operational services to Suffolk Coastal District Council (SCDC).

A comprehensive range of services is provided, including waste management, neighbourhood services such as abandoned vehicle removal and street cleansing, fleet management, grounds maintenance and engineering services.

Based at Ufford, near Woodbridge, SCS provides services to more than 57,000 domestic residents and over 1,000 businesses.

Financial savings are achieved through lower central support costs, procurement and vehicle operation, and insurance costs.

The formation of SCS as a separate limited company also increased the freedom to trade more openly, delivering the council an annual profit percentage return from SCS.

The neighbouring SCS and Waveney Norse joint ventures work in harmony as mutually supportive sister operations: co-operating closely under the Norse umbrella to ensure that both districts enjoy the best possible value and maximum benefits.

## **Suffolk Norse**

Commencing early in 2013, this is a joint venture between Norse Commercial Services and Suffolk County Council.

It is being set up to manage a fleet of school coaches and minibuses, and school swimming services, previously run by Suffolk County Council. Norse owns 80% of Suffolk Norse, with the Council taking the remaining 20% stake.

The 10-year deal, worth around £3 million a year, involves the transfer of 180 staff and 70 vehicles to the new joint venture.

It is an ideal fit with Norse's existing coach and minibus operations in Norfolk, and will represent good value for money for both Suffolk tax-payers and Norse.

Rationalised journey planning along the Norfolk/Suffolk border will lead to efficiencies and an increase in turnover is expected to be achieved through new contracts.

### **Enfield Norse**

This forward-thinking joint venture with the London Borough of Enfield is responsible for cleaning more than 150 establishments, including schools, libraries, offices and communal areas in council-owned flats and specialist housing centres.

Enfield Norse was set up to take cleaning to a new level across the borough and has gone from strength to strength since its launch in 2009.

The venture has the freedom to trade outside council work, winning a host of new commercial contracts and generating a welcome profit-share contribution to Enfield Council in the process.

In the summer of 2012, Enfield Norse was awarded the cleaning contract for the Hazelbury Partnership of schools and Durant's School.

The company was the incumbent contractor at Hazelbury Infants, and in addition to retaining that business has also added the other three schools through a competitive tender process. The three-year contract began in July 2012 and is worth around £95,000 a year.

### **Wellingborough Norse**

Wellingborough Norse is a partnership set up by Norse and the Borough Council of Wellingborough to run a range of environmental services.

Under the 10-year contract, which began on March 1, 2012, 100 council employees transferred to the new company.

They are involved in emptying around 49,500 wheelie bins each week, keeping streets clean, removing graffiti and flytipping, preparing and maintaining graves, looking after public toilets, and maintaining parks and open spaces.

Responsibility for the town's market, as well car park security and management of civic buildings, also comes under Wellingborough Norse.

The new company could save Wellingborough Council more than £2 million over the next five years, through efficiency savings, increased buying power, profit-sharing arrangements, reduction of management costs, and increased recycling income.

Wellingborough Norse is also looking to take on extra work in the area, which could create more jobs for the borough.

### **Norwich Norse**

Norwich Norse, a 10-year JV with Norwich City Council, commences trading in March 2013, delivering street scene and building cleaning services throughout the City. With an annual value of about £6 million, this is an important addition to Norse's portfolio, and is expected to grow to £12 million-plus with the transfer of other services, some of which are already delivered by Norse on a contractual basis.

## **NPS Joint Ventures**

**NPS North West** is a joint venture with **Wigan Council** that was established in April 2004. The company was further expanded in April 2006 to include a similar partnership with South Lakeland District Council.

**NPS North East** was created in October 2004 as a joint venture with **Wakefield Council**. The Council's property services staff transferred.

**NPS Stockport** was created as a joint venture with **Stockport Metropolitan Borough Council** in November 2006. More than 80 of the Council's property staff transferred.

**NPS London** was established in March 2007 as a joint venture with the **London Borough of Waltham Forest**. More than 50 staff transferred.

**NPS South West** began trading in April 2007 as a joint venture with **Devon County Council** and 135 staff were transferred.

**NPS Humber** began trading in November 2008 as a joint venture with **Hull City Council**. More than 100 of the Council's staff transferred to NPS Humber.

**NPS South East** is a subsidiary that delivers services to public and private sector customers across the East of England. It was formed in February 2009.

**NPS Barnsley Limited** began trading in January 2011 and is a joint venture with Barnsley Metropolitan Borough Council.

**NPS Leeds** began trading in February 2012 as a joint venture with **Leeds City Council**. Twenty-eight of the Council's staff transferred to NPS Leeds.

**NPS Norwich itself, of course,** began trading in March 2012 as a joint venture with **Norwich City Council**. NPS Norwich staff mostly operate from Norse's head office at Lancaster House, with a client support team remaining at City Hall.



# Appendix Four

## Diversity Impact Assessment: Screening Form

<b>Directorate</b> <b>Children and Adults</b>	<b>Name of Function</b> Facilities Management	
Officer responsible for assessment  Genette Laws	Date of assessment  28 February 2013	New or existing?  New
<b>Defining what is being assessed</b>		
<b>1. Briefly describe the purpose and objectives</b>	<p>The Council aims to provide safe and hospitable environment that enables the people that work in, or visit, the services operating in those facilities to enjoy a positive experience.</p> <p>The council intends to consolidate its resources in Facilities management into a single provider so that it adopts a total facilities management approach to such activities.</p> <p>The council's single provider will be a joint venture company that is jointly owned by Medway Council and Norse. By being part of a joint venture company the council will not only benefit from savings but also income generation.</p>	
<b>2. Who is intended to benefit, and in what way?</b>	<p>Savings are intended to be achieved in a way that maintains or improves the quality of service by consolidating our resources.</p> <p>The beneficiaries of the savings and the income will ultimately be the end users of frontline services because efficiencies from 'back office' activities will contribute to protecting the budgets for frontline services.</p> <p>Employees that transfer into the joint venture company will be part of an organisation dedicated to the activities that they undertake and therefore will have a more structured career path in terms of their chosen professions.</p>	
<b>3. What outcomes are wanted?</b>	Council to continue to provide safe and hospitable environment that enables the people that work in, or visit, the services operating in those facilities to enjoy a positive experience.	

<b>4. What factors/forces could contribute/detract from the outcomes?</b>	<b>Contribute</b> Early and continued discussions with Unions Corporate Policy Veto by the council Representatives from Medway Council will be part of the membership of the Board of Directors and proposed Operational Liaison Board	<b>Detract</b> Scepticism about the new way of working from end-users that are part of the client function Anxiety of those subject to TUPE
<b>5. Who are the main stakeholders?</b>	Residents of Medway that visit the facilities Employees that use the facilities The employees that undertake the activities The companies contracted to undertake the facilities	
<b>6. Who implements this and who is responsible?</b>	Head of Category Management, Strategy and Operational Support Category and the Head of Assets and Property.	
<b>Assessing impact</b>		
<b>7. Are there concerns that there <u>could</u> be a differential impact due to <i>racial groups</i>?</b>	<b>YES</b> <b>NO</b>	Brief statement of main issue
<b>What evidence exists for this?</b>	The savings, and new way of working, are being made across a wide range of services and there is no evidence to suggest that this will disproportionately impact on particular groups. However, this will be monitored closely to ensure that any unidentified and unintended negative impact is recognised and mitigated.	
<b>8. Are there concerns that there <u>could</u> be a differential impact due to <i>disability</i>?</b>	<b>YES</b> <b>NO</b>	Brief statement of main issue
<b>What evidence exists for this?</b>	The savings, and new way of working, are being made across a wide range of services and there is no evidence to suggest that this will disproportionately impact on particular groups. However, this will be monitored closely to ensure that any unidentified and unintended negative impact is recognised and mitigated.	
<b>9. Are there concerns that there <u>could</u> be a differential</b>	<b>YES</b>	Brief statement of main issue

<b>impact due to gender?</b>	<b>NO</b>	
<b>What evidence exists for this?</b>		The savings, and new way of working, are being made across a wide range of services and there is no evidence to suggest that this will disproportionately impact on particular groups. However, this will be monitored closely to ensure that any unidentified and unintended negative impact is recognised and mitigated.
<b>10. Are there concerns there <u>could</u> be a differential impact due to <i>sexual orientation</i>?</b>	<b>YES</b>	Brief statement of main issue
	<b>NO</b>	
<b>What evidence exists for this?</b>		The savings, and new way of working, are being made across a wide range of services and there is no evidence to suggest that this will disproportionately impact on particular groups. However, this will be monitored closely to ensure that any unidentified and unintended negative impact is recognised and mitigated.
<b>11. Are there concerns there <u>could</u> be a have a differential impact due to <i>religion or belief</i>?</b>	<b>YES</b>	Brief statement of main issue
	<b>NO</b>	
<b>What evidence exists for this?</b>		The savings, and new way of working, are being made across a wide range of services and there is no evidence to suggest that this will disproportionately impact on particular groups. However, this will be monitored closely to ensure that any unidentified and unintended negative impact is recognised and mitigated.
<b>12. Are there concerns there <u>could</u> be a differential impact due to people's <i>age</i>?</b>	<b>YES</b>	Brief statement of main issue
	<b>NO</b>	
<b>What evidence exists for this?</b>		The savings, and new way of working, are being made across a wide range of services and there is no evidence to suggest that this will disproportionately impact on particular groups. However, this will be monitored closely to ensure that any unidentified and unintended negative impact is recognised and mitigated.
<b>13. Are there concerns that there <u>could</u> be a differential impact due to <i>being transgendered or transsexual</i>?</b>	<b>YES</b>	Brief statement of main issue
	<b>NO</b>	
<b>What evidence exists for this?</b>		The savings, and new way of working, are being made across a wide range of services and there is no evidence to suggest that this will disproportionately impact on particular groups. However, this will be monitored closely to ensure that any unidentified and unintended negative impact is

	recognised and mitigated.		
<b>14. Are there any other groups that would find it difficult to access/make use of the function (e.g. people with caring responsibilities or dependants, those with an offending past, or people living in rural areas)?</b>	YES	If yes, which group(s)?	
	NO		
<b>What evidence exists for this?</b>	The savings, and new way of working, are being made across a wide range of services and there is no evidence to suggest that this will disproportionately impact on particular groups. However, this will be monitored closely to ensure that any unidentified and unintended negative impact is recognised and mitigated.		
<b>15. Are there concerns there could be a have a differential impact due to <i>multiple discriminations</i> (e.g. disability <u>and</u> age)?</b>	YES	Brief statement of main issue	
	NO		
<b>What evidence exists for this?</b>			
<b>Conclusions &amp; recommendation</b>			
<b>16. Could the differential impacts identified in questions 7-15 amount to there being the potential for adverse impact?</b>	YES	Brief statement of main issue	
	NO		
<b>17. Can the adverse impact be justified on the grounds of promoting equality of opportunity for one group? Or another reason?</b>	YES	Please explain	
	NO		
<b>Recommendation to proceed to a full impact assessment?</b>			
<b>NO</b>	The savings, and new way of working, are being made across a wide range of services and there is no evidence to suggest that this will disproportionately impact on particular groups. However, this will be monitored closely to ensure that any unidentified and unintended negative impact is recognised and mitigated.		
	The Council's representation on Boards in the joint venture company and the Corporate Policy Veto enables the council to monitor, identify, and where necessary, address any disproportionate adverse impact on groups with protected characteristics.		