

**BUSINESS SUPPORT**  
**OVERVIEW AND SCRUTINY COMMITTEE**  
**7 OCTOBER 2014**

**UPDATE ON MEDWAY NORSE**

Report from: Perry Holmes, Assistant Director, Legal and  
Corporate Services

Author: Nick Anthony, Corporate Client for Medway Norse

**Summary**

This report reviews Quarter 2 of Medway Norse's trading in its second year of operation.

**1. BUDGET AND POLICY FRAMEWORK**

1.1 In March 2013, Cabinet gave permission for a joint venture company, now known as Medway Norse, to be established for the provision of facilities management (FM) services from 1 June 2013. In 2014 the joint venture has also taken on responsibility for the grounds maintenance contract and for an initial phase of school transport for children with special educational needs attending three schools. Medway Norse is now responsible for activity amounting to just under £11m per annum.

**2. BACKGROUND**

2.1 Medway Norse joint venture company was established to:

- Provide services to the council more efficiently to give better value for money
- Grow the business through taking on external contracts
- Increase employment opportunities for local people

2.2 Medway Norse now provides services to the council in three main areas – facilities management, grounds maintenance and SEN transport.

2.3 As the committee are aware the responsibility for the Corporate Client now lies with the Strategic Property and Energy team, managed by Nick Anthony. The role previously sat with the Category Management team to manage the transition and having completed that phase we have now moved to a business as usual model.

### **3. REVIEW OF QUARTER 2**

#### **Finance and business development**

- 3.1 Medway Norse has continued to make good progress this quarter with growth across the board. Year-to-date the joint venture is 6% up on the budgeted target in total sales at £5.04m (including council and non-council work) and 4% up on the targeted profit which for the year, which is targeted to be £521,080. Under the terms of the joint venture agreement in year 2 the council retains 66.6% of any profit at year end.
- 3.2 A key objective for Medway Norse in the first 16 months of operation has been to develop the business offering. This has been achieved through training and employment of key skills in order to offer an FM solution externally. Medway Norse within this short time span has grown teams of tradesmen covering: electrical, mechanical, carpentry and wet trades. Having developed the self-delivery approach, not only has this generated savings within the partnership it has also allowed the company to develop a service offering which can be traded externally. External trading has always been a key driver for the partnership and will be the key focus for the forthcoming year now that the service offering has been developed.
- 3.3 The self-delivery model has allowed the partnership to undertake works which were previously contracted out. Although this is not external revenue for the partnership it is just as important, as without the new model it would not have been possible to convert external expenditure into additional in-sourced work. The annual projected benefits of the first stage of self-delivery are circa £200,000, subject to full implementation and deployment (estimated to be achieved by April 1<sup>st</sup> 2015).
- 3.4 To date Medway Norse has gained three external contracts: one cleaning contract (£43,000 per annum), and two grounds contracts (£20,000 per annum). In addition to this Medway Norse has secured circa £275,000 of external revenue.
- 3.5 In the past quarter Medway Norse have submitted a further 5 PQQ's and 6 tenders, predominately covering cleaning and grounds services.
- 3.6 Recruitment for a new Business Development Manager commenced in June. Unfortunately no candidates were thought to have the combination of experience and skills necessary to take forward and therefore the recruitment process will be recommenced shortly.

#### **Relocation onto a single site**

- 3.7 The move to the new depot in Gillingham has brought about the amalgamation into one site of the Administrative, Hard & Soft Facilities Management, Grounds Maintenance for Greenspaces, Crematoria & Cemeteries, along with the Grave Digging and Special Education Needs Transport teams. The office facilities on site were constructed from eight 12 metre by 2.4 metre recycled shipping containers, supplied and refitted by local firm Dryspace Ltd. They house 30 administrative and management staff. The 2.25 acre, previously disused, brownfield site comprises new offices, a staff training facility, vehicle valeting and wash down areas, a small green waste recycling facility and the planned construction of a workshop,

which will enable in-house repairs to both plant and vehicles. The council is securing revenue income for the rental of the site to Medway Norse.

- 3.8 Medway Norse has also formed a trial partnership with Parking Services and is currently providing them with meeting room and training facilities at the new depot. This has reduced the requirement to hire training rooms externally, thus providing cost savings to the Council and is also helping to build closer working relationships.

### **Staffing**

- 3.9 The current workforce now exceeds 430 personnel making Medway Norse a large local employer. The joint venture is developing its own trades team to achieve cost savings and to ensure consistent quality of service. Previously arrangements existed with a range of individual contractors. This self-delivery and engineering team is now 11 FTEs with 9 apprentices having been recruited and working alongside various personnel within Hard FM, Soft FM and Grounds.
- 3.10 Medway Norse has also engaged with SEETEC, the local company employed by central government to provide work experience for the long term unemployed. With a strong commitment from Medway Norse in terms of the amount of management training invested, they have so far trained 15 individuals of whom 3 have attained a standard that has enabled them to be employed. The joint venture company is exceeding targets set for creating apprenticeships. Medway Norse has created 7 so far when 3 was the target for the first 12 months.

### **Facilities Management**

- 3.11 The property rationalisation programme being pursued by the council is impacting on its FM requirements. The major element of the relocation of Children's Services went ahead on the 8<sup>th</sup> August. The services are predominantly operating out of Broadside at Chatham Maritime and Eagle Court in Rochester. These are additions to the contract with services being phased out at Redvers Centre, Elaine Centre and Woodlands Place. The relocation of the Youth Offending Team from 67 Balfour Road to Strood Youth Centre took place in September with a similar need to make appropriate changes to serviced provision.
- 3.12 Utilising the emerging building action plans and existing condition survey information part of the role of the new corporate client function will be to establish and fully understand the level of required building maintenance across the estate. Working closely with Medway Norse required maintenance is beginning to be systematically addressing the issue through a combination of refurbishment schemes and property transformation initiatives – such as the recent move of the Integrated Children's Team's move to modern offices in Chatham Maritime.

### **Special education needs (SEN) Transport**

- 3.13 Medway Norse provides minibus transport for children with special educational needs attending 3 schools – Brompton Academy, Warren Wood and Rivermead. This has proved successful and is a model that the council will seek to expand as current contracts come up for renewal. Currently the 3 schools' routes have been delivered at a 20% reduction in cost.

### **Grounds maintenance**

- 3.14 Core grounds transferred into the JV as of 1<sup>st</sup> April 2014. The tripartite agreement is one in which Medway Norse provides the machinery, equipment and direct employees to undertake the Core grounds contract and in turn:
- Enable Value for Money for Medway Council stakeholders
  - Promote best practice
  - Aid Medway Council in achieving corporate goals such as Green Flag sites, of which two extra awards were gained in the last quarter
  - Grow the business externally, to enable greater levels of rebate to the authority.
- 3.15 The Senior Grounds Contracts Manager, who is directly employed by Quadron Ltd, is responsible for:
- The deployment of all employees and machinery
  - Productivity review and management
  - Scheduling of all works and routes
  - Forward Planning of activities
  - Ensuring compliance to agreed KPI's
  - Day to day management of employees, supported by Medway Norse.
- 3.16 Medway Council as part of the tripartite arrangement maintains the client and monitoring function of the core grounds service.
- 3.17 The delivery of the arrangement is managed via an implied Memorandum of Understanding (due to be agreed in the coming weeks), as well as via fortnightly review meetings, and partnership board meetings.
- 3.18 The grounds service has been consistent during the past quarter, although it has to be noted that there has been a year on year increase in rectification notices issued by Medway Council. Some of this is attributed to the particular weather conditions that 2014 has brought. Other factors include pressures on budget, potential productivity of teams, deployment and planning of activities. The potential factors attributed to the increase in notices are being reviewed by all parties to ensure maximum value and optimum performance is achieved from the agreed budget.
- 3.19 The contract is fully deployed with new equipment purchased in 2014, and has consistently run with direct staff numbers in excess of the agreed deployment plan during the last quarter. The vehicle fleet which transferred into the agreement is being monitored due to its age and condition, with pressures being put on repair costs and downtime. For note: it has been agreed through the partnership that these vehicles will need to be maintained until April 2017.
- 3.20 To date the three parties together have been able to manage the current pressures within the agreed budget. It is envisaged through continuous communication and sharing of ideas that by year end the service will be maintained with budget.

## **4 PERFORMANCE**

### **Balance scorecard**

- 4.1 The “Balanced Scorecard” is used as a means of monitoring and measuring the performance of the company throughout the year by tracking progress against a selection of key headline measures and targets.
- 4.2 The measures are selected in order to provide a rounded picture of company performance against the following key strategic areas:
- Customer
  - Operations
  - People
  - Finance
- 4.3 The attached Balanced Scorecard shows current progress against the individual measures, together with a traffic light assessment of progress against target.

## **5 LEGAL, FINANCIAL AND RISK IMPLICATIONS**

### **Legal implications**

- 5.1 There are no direct legal implications of this update report

### **Financial implications**

- 5.2 Financial implications are contained within the report.

### **Risk implications**

- 5.3 There is a risk that despite its efforts that the company will not generate any significant income through external growth.

## **6 RECOMMENDATIONS**

- 6.1 That the report be noted.

### **Lead officer contact**

Nick Anthony  
Corporate Client for Medway Norse  
Gun Wharf  
01634 332294  
[nick.anthony@medway.gov.uk](mailto:nick.anthony@medway.gov.uk)

### **Background papers**

Update on Medway Norse – report to Business Support Overview and Scrutiny Committee 03 July 2014.