

**BUSINESS SUPPORT
OVERVIEW AND SCRUTINY COMMITTEE
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UPDATE ON MEDWAY NORSE

Portfolio Holder: Councillor Alan Jarrett, Finance

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Summary

This report outlines the Company's achievements and performance up to the third quarter in its second year of trading and its plans for future growth and development.

1. Budget and Policy Framework

1.1 In March 2013 Cabinet agreed for the joint venture company, 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.

3. Review of the second year's trading to date

Governance

- 3.1 The Company's Board of Directors comprises three representatives from Norse Commercial Services and two from the Council. The Council's representatives are Councillor Filmer (Chair of the Board and has a Council Policy veto) and Stephanie Goad, Assistant Director Communications, Performance and Partnerships. The Board is responsible for the performance of the joint venture overall.
- 3.2 There is also an Operational Liaison Board, which consists of representatives from Medway Norse and nine representatives from the Council. This is supported by ongoing liaison between Medway Norse and the Corporate Client.
- 3.3 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.

Summary of operations

- 3.4 Medway Norse has continued to make good progress and this quarter it has experienced growth across the board. Year-to-date the joint venture is 6% up on the budgeted target in total sales and 4% up on the targeted profit, which for the year is targeted to be £521,080. Under the terms of the joint venture agreement in Year 2 the Council will retain 66.6% of any profit at year-end.
- 3.5 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 this will be the key focus for the forthcoming year now that the service offering has been developed.
- 3.6 The self-delivery model has allowed the partnership to undertake works that were previously contracted out. Utilising this model the current self-delivery team have completed 5,220 jobs internally since commencement of the Joint Venture with a reduction in overall average value per job of £59.20 (figures to 31 October 2014), which has given direct savings of £309,024. This means Medway Norse has been able to deliver more jobs at lower cost, whilst still generating a rebate to the Council.
- 3.7 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 Medway Norse has secured circa £275,000 of external revenue. In the past quarter alone Medway Norse have submitted a further 5 PQQ's and 6 tenders, predominately covering cleaning and grounds services.

- 3.8 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 rental of the site to Medway Norse.
- 3.9 The formal Depot opening ceremony took place in September and was well attended by the various interested parties, with many compliments and positive conversations taking place.
- 3.10 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.

The workforce – creating local employment

- 3.11 The current workforce now exceeds 440 personnel (up from 397 since the July 2014 Cabinet report) making Medway Norse a large local employer. The Joint Venture is developing its own trade's 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 13 FTEs with 9 apprentices having been recruited and working alongside various personnel within Hard FM, Soft FM and Grounds. We would like to fulfill the contractual requirement and recruit a 10th apprentice, probably within grounds administration. The delivery of the administrative based NVQs is currently being discussed with Mid-Kent College.
- 3.12 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, SEETEC have so far trained 15 individuals of whom 3 have attained a standard that has enabled them to be employed.
- 3.13 Medway Norse is engaging in the Investors in People scheme and some element of time will be devoted to this area together with Health & Safety.

Special Educational Needs (SEN) transport

- 3.14 On the 1 April 2014 the SEN Transport Procurement Unit transferred to Medway Norse. Medway Norse is now responsible for managing all SEN journeys. In particular, in accordance with their approach to self-deliver where possible, they are providing the transport for pupils at three schools (Warren Wood, Brompton Academy and Rivermead) as part of the pilot to plan journeys around the schools and their pupils rather planning them individually.

- 3.15 Medway Norse has expanded the school service and is currently also undertaking an additional route to the Bradfields Academy, generating a further £765 per week of income. Currently the school has multiple suppliers and is seeking to reduce this to one or two following the forthcoming framework review.
- 3.16 This new approach to journey planning was developed by the Council's Transport Change Team. This new approach has secured savings in excess of 20% for the Council in relation to expenditure for those three schools and these savings are more assured because of the pricing approach suggested by Category Management for a fixed price for plus/minus 25% of usage. The service is now being delivered for £380,000, the previous cost of which was £480,000 – a saving of £100,000 per annum. There is also a contractual inclusion, which allows an increase in pupils by up to 25% without additional costs being incurred. Current pupil numbers are approximately 23 more than the initial tranche, without any further costs to the Council.
- 3.17 This new approach to journey planning will be rolled out across other schools as contracts expire. Consequently there may be more self-delivery of mini-bus journeys, which means that expenditure on this activity will further reduce. Taxi journeys are also a significant element of transport for pupils and therefore Medway Council and Medway Norse are working together to set up a framework for taxis and create greater certainty regarding the pricing regime.
- 3.18 Appetito, a supplier of 'Meals on Wheels' deliveries to the elderly and infirm, ceased to operate a service on the Peninsula without notice, leaving a number of vulnerable individuals exposed to lack of food. Medway Norse prepared food within the kitchens at Gun Wharf and transported this on the school buses; ensuring residents remained fed during this difficult period. An opportunity to review this service throughout the authority may become apparent.

Grounds maintenance

- 3.19 Core grounds transferred into the JV as of 1 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.
- 3.20 The Senior Grounds Contracts Manager, who is directly employed by Quadron Ltd as the managing agent, 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.
- 3.21 Medway Council as part of the tripartite arrangement maintain the client and monitoring function of the core grounds service. 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.
- 3.22 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 in 2014. 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.
- 3.23 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.
- 3.24 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 within budget.
- 3.25 The grounds contract has operated with the minimum summer operating target of 78 operatives, this obligation is fulfilled with a combination of transferred and seasonal employees; a headcount reduction of temporary employees was completed in two tranches at the end of September and October. This review has been completed and allowed twelve of the seasonal employee's to gain full time positions. This employment commitment has been aided by Medway Norse ability to deploy personnel to varying cost centres and also helped by the Clients commitment to provide funds for 240 man days of leafing.
- 3.26 The current headcount relates to sixty employees in the field and excludes Blue Sky along with the management team. We understand the Blue Sky funding will cease in April 2015 and some consideration needs to be made regarding this.
- 3.27 We have also engaged with SEETEC, the local company employed by central government to provide work experience for the long-term unemployed. The service is free to us, though has currently not been as successful as anticipated. With large amounts of initial commitment by the partnership in terms of management training and a committed part on the Medway Norse / Medway Council agreement requiring employment of the long term

unemployed, the 15 personnel trained so far has given us a net quantity of 3, who are potentially employable.

- 3.28 The Hard FM team was deployed to restore all goal posts prior to the football season and all pitch renovations were completed before the first friendly games were played on the 30th August.
- 3.29 We have invested £31k in a new Greens Mower at Deangate and a further £16k (excluding fitter costs as repairs completed in house) to repair and upgrade the existing machinery. Current commitment for new and replacement machinery at the site exceeds £110k.
- 3.30 There is currently some discussion within the tri-partite arrangement regarding traffic management issues. This sits within two particular areas;
- The quality of Volker Highways service delivery: with the company delaying some activities, not completing tasks, having unavailable stock and personnel.
 - There is also some debate between the managing agent (Quadron Ltd) and the client regarding safe working practices on national speed limit roads where verge works may present issues around RAMS. We are awaiting a formal proposal from the managing agent with regard to this.

Local business participation

- 3.31 The table below sets out the position at the close of Quarter 3 (August to October 2014). Local business participation has improved upon the last quarter with an increase of spend in Medway and Kent of 5.7% and 7% respectively.

Spend Area	Amount	Percentage of Spend
Total Spend	£ 1,527,467.66	100%
Kent Spend	£ 873,766.02	57.2%
Medway Spend	£ 514,926.17	33.7%

- 3.32 Medway Norse is therefore continuing to support the local economy by prioritising spend in Medway and Kent.

The corporate client function

- 3.33 The Corporate Client team is continuing to meet and liaise closely with the Council's building managers in order to fully understand their service needs and to establish an effective working relationship. The service liaison meetings have been well received and have provided a valuable insight into the individual needs of services in terms of both hard and soft facilities. The outcomes and actions arising from these meetings are continuing to form the basis for the development of building management action plans.
- 3.34 In addition building managers can raise day-to-day service issues directly with Medway Norse or alternatively with the Corporate Client team who hold a two-weekly operations meeting with Medway Norse. Building managers often attend slots at these meetings as and when the need arises.

Rebate (income) to the Council

3.35 In 2014/15 Medway Norse has projected a surplus of 521,080 of which the Council will receive £347,039, which is 66.6% as per the agreement for this financial year.

4. Legal implications

4.1 There are no direct legal implications of this update report.

5. Financial implications

5.1 The Council's budget for 2014/15 has set a rebate income target of £263,000, which is likely to be exceeded as indicated at 3.35 above. The remaining financial implications are contained within the report.

6. Risk implications

6.1 There is a risk that the Company will not create income through external growth. However, Medway Norse is recruiting a business manager and a sales and marketing plan is in place.

7. Recommendation

7.1 That the report be noted.

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Background papers

Update on Medway Norse – report to Business Support Overview and Scrutiny Committee 4 December 2013

<http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=123&MId=2755&Ver=4>
(item 615 refers)

Review of Medway Norse, Joint Venture Company for Facilities Management – report to Cabinet 14 January 2014

<http://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=22254>

Update on Medway Norse – report to Cabinet 15 July 2014

<http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=2954&Ver=4>

Update on Medway Norse - report to Business Support Overview and Scrutiny Committee 07 October 2014

<http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=123&MId=2949&Ver=4>

Update on Medway Norse – report to Cabinet 13 January 2015

<http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=2961&Ver=4>

