

**BUSINESS SUPPORT
OVERVIEW AND SCRUTINY COMMITTEE
7 JULY 2016
UPDATE ON MEDWAY NORSE**

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Medway Norse

Summary

This report outlines the partnership's achievements and performance up to the final quarter in its third year of trading

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 also took 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 provides services to the Council in three main areas – facilities management, grounds maintenance and Special Educational Needs (SEN) transport.

3. Review of 2015 Quarter 2 trading

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 Transformation. The Board is responsible for the overall performance of the joint venture.
- 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 team.
- 3.3 Responsibility for the Corporate Client lies with the Strategic Property and Energy team, managed by Rob Dennis, within the Legal and Corporate Services division.

Summary of operations

- 3.4 Medway Norse has continued to progress development of the business. Operational Directors and managers are currently focussing to develop markets where demand and margins approve the profitability of the business overall. These include schools, ALMO's and other public sector bodies where long term relationships can be formed. The sales team monitors portals where OJEU notices are published, each tender is assessed on its viability.
- 3.5 The joint venture is actively competing for external work for catering, cleaning and grounds maintenance work. However, the trading environment is challenging with relatively few opportunities available – an experience mirrored by other Norse JV's.
- 3.6 The partnership is continuing to develop and grow its self-delivery model to further improve speed of delivery and cost efficiencies to the Council and provide a competitive platform when tendering for external contracts.
- 3.7 The Council and Medway Norse are discussing the strategy for the future growth of the joint venture to inform its current business plan. This will seek to deliver the right balance between taking on additional council services to deliver them more efficiently, and growth through external business.

The workforce – creating local employment

- 3.8 The total number of job roles at year end was 484 making Medway Norse a large local employer. The Joint Venture is continuing to develop its own trade's team to achieve cost savings and to ensure consistent quality of service.
- 3.9 During 2015/16 three Medway Norse apprentices completed their apprenticeships and have been employed full time within the business.

- 3.10 Medway Norse has also engaged in the Investors in People scheme and time has been devoted to this area.

Special Educational Needs (SEN) transport

- 3.11 Medway Norse is responsible for managing the operation of the framework of suppliers of SEN transport. They also directly deliver transport for three school routes (which has reduced costs by 20%) and some routes for a fourth school, Danecourt, were taken on last September.
- 3.12 As taxi journeys are also a significant element of transport for pupils Medway Council, working closely with Medway Norse, have set up a new framework for taxis to ensure a competitive process and create greater certainty regarding the pricing regime. This new framework has been introduced and is now being utilised for all new contracts.
- 3.13 In addition a specialist, from their head office, has joined the team on an interim basis and is currently reviewing the operation. As a result it is envisaged the service will grow by a further 10 routes in September this year.

Grounds maintenance

- 3.14 The main grounds maintenance contract transferred into the Joint Venture as of 1 April 2014.
- 3.15 A review of the initial structure has been completed. This development will further align the business model and lead to improved efficiencies.
- 3.16 To further drive up efficiencies trackers have been installed on the grounds maintenance machinery in order to assess usage. This will minimise machinery down time and enable the more efficient use of equipment.
- 3.17 A new Health and Safety manager was also recruited during the last quarter.

Local business participation

- 3.18 The table below sets out the position for February to March 2016. Since Q2 local business participation has increased by 2% in Kent & Medway and by 4% in Medway itself, demonstrating Medway Norse is continuing to support the local economy by prioritising spend in Medway and Kent.

Location of Expenditure Feb/Mar 2016	Amount of Expenditure	% by Location
Medway Norse Total Expenditure	£1,727,609.19	100%
Kent & Medway Expenditure	£1,123,806.61	65%
Medway Expenditure	£702,566.67	41%

The corporate client function

- 3.19 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 outcomes and actions arising from these meetings are continuing to form the basis for the development of building management action plans.
- 3.20 In addition building managers can raise day-to-day service issues directly with Medway Norse or alternatively with the Corporate Client team who hold quarterly operations meetings with Medway Norse. Building managers often attend slots at these meetings as and when the need arises.
- 3.21 With the assistance of the partnership the Council is continuing to modernise and consolidate its portfolio of operational buildings. In particular the facilities management services provided by the partnership have enabled the Council to focus on its programme of improving the quality of its buildings for both service users and staff alike.
- 3.22 In particular during the quarter refurbishment works were commenced and have completed to the public toilets at Rainham and Northgate (Rochester). For 2016/2017 attention is now turned to public toilets in Sappers Walk, Gillingham.

Rebate (income) for the Council

- 3.23 Under the agreement the Council will receive 50% of any surplus in 2015/16 and future years. The Council has set a rebate income target of £263,000 in 2015/16, which would have been met provided the partnership's surplus was at least £526,000. However, the outcome though below target for reasons we are aware of, being national statutory pay changes, is improved on February projections so the year end surplus as included in the joint venture accounts was £313,822. On that basis the Council's share was £156,911, a variance against target of £106,089.

4. Legal, financial and risk implications

- 4.1 There are no direct legal implications of this update report.
- 4.2 The financial implications are contained within the report.
- 4.3 The risk implications are contained within the report.

5. Recommendations

- 5.1 That the report be noted.

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Appendices - none

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>

Medway Norse Six Monthly Report – report to Cabinet 13 January 2015

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

Update on Medway Norse - report to Business Support Overview and Scrutiny Committee 03 February 2015

<http://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=26170>

Medway Norse Six Monthly Report – report to Cabinet 16 June 2015

<http://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=27425>

Update on Medway Norse - report to Business Support Overview and Scrutiny Committee 25 June 2015

<http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=123&MId=3156&Ver=4>

Update on Medway Norse - report to Business Support Overview and Scrutiny Committee 03 December 2015

<http://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=29060>

Update on Medway Norse - report to Cabinet 12 January 2016

<http://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=29313>