

CABINET

6 JUNE 2017

UPDATE ON MEDWAY NORSE

Portfolio Holder: Councillor Adrian Gulvin, Resources

Report from/Author: Ian Price, Managing Director, Medway Norse

Summary

This report outlines the partnership's achievements and performance up to the end of the fourth quarter in its fourth year of trading.

This report will also be submitted to Business Support Overview and Scrutiny Committee on 6 July 2017.

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 £14m 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 a number of areas: Facilities Management, Grounds Maintenance and Special Educational Needs (SEN) transport.

- Statutory Maintenance to Corporate Stock and Schools
- Hard FM Reactive Maintenance
- Capital Projects

- Catering (Corporate sites and Country Parks)
- HRA Cleaning
- Corporate stock Cleaning
- Grounds Maintenance, including general sites, Crematoria and Cemeteries, sports pitches, 3 golf courses
- Grave digging and burial services
- Cemetery Maintenance
- Arboriculture including Highways and Greenspace Management
- Play Area Management and Maintenance
- Grounds and Greenspace Cleansing including non-highway street scene
- Corporate Refuse (including secure sites shredding)
- Trade Waste
- Household Waste Recycling Sites
- Caretaking
- Print and Post Room
- MFD Supplies
- Reception Services
- SEN Transport

3. 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.

4. Review of 2017 Quarter 4 Trading - Summary of Operations

- 4.1 Medway Norse has continued to progress development of the business. Operational Directors and managers are currently focussing to develop markets where demand and margins improve the profitability of the business overall. These include schools, ALMOs 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.
- 4.2 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 JVs.

- 4.3 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.
- 4.4 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. Medway Norse has recently been awarded a schools cleaning framework contract and is currently mobilising this, the value of which is approximately £312,000 per annum

5. The Workforce – Creating Local Employment

- 5.1 The total number of job roles at year-end (31 March 2017) was 514 making Medway Norse a large local employer. The Joint Venture is continuing to develop its own trades team to achieve cost savings and to ensure consistent quality of service, including immediate response.
- 5.2 During 2016/17 four Medway Norse apprentices completed their apprenticeships and have been employed full time within the business, taking the total of apprentices employed to 17.
- 5.3 Medway Norse has also engaged in the Investors in People scheme and time has been devoted to this area.

6. Special Educational Needs (SEN) Transport

- 6.1 Medway Norse is responsible for managing the operation of the framework of suppliers of SEN transport. They also directly deliver transport for nine school routes (which has reduced costs by 20%).
- 6.2 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.

7. Grounds Maintenance

- 7.1 The main grounds maintenance contract transferred into the Joint Venture as of 1 April 2014.
- 7.2 A review of the initial structure has been completed. This development will further align the business model and lead to improved efficiencies.
- 7.3 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.
- 7.4 All winter maintenance activities were completed with spring deployment brought forward to March to meet the unseasonal good weather patterns.

Contract compliance exceeded the target figures throughout the reporting period. All winter sports fixtures were completed without any cancellations with some planned spring maintenance work brought forward to March. There has been positive feedback from facilities at Deangate Ridge with a reported increase in usage.

- 7.5 Additional non-core contract works have been secured for the 2017 season with an extension of the Historic Dockyard contract and additional works at Rochester Cathedral also awarded.
- 7.6 Tree maintenance continues to be delivered to a high standard with contract compliance exceeding 90%. All winter cyclical maintenance (pollarding) was completed within reporting period. Core contract budget reduction has been met, maintaining service. All works around storm Doris were picked up within existing budgets.
- 7.7 Integration of the Urban Ranger Service has been positive. All asset inspections have been completed. All minor works were successfully completed. Additional engagement around Anti Social Behaviour and Encampment activity was reported and handled within reporting period. All allotment activities were completed, including non-cultivation notices and contract renewals. The integration of the Countryside Rangers is taking place in early June and the team are settling in well.

8. Local Business Participation

- 8.1 The table below sets out the position for March 2017. 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.

Local Participation Qtr 4 2016/17	Amount	% Total Spend	YTD Average
Total Spend	£ 2,850,025	100%	100%
Total Kent Spend	£ 1,870,717	66%	68%
Total Medway Spend	£ 1,353,031	47%	46%

9. The Corporate Client Function

- 9.1 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. Medway Norse's Managing Director also sits on the Council's Property Board
- 9.2 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.

- 9.3 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.

10. Rebate (Income) for the Council

- 10.1 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 £262,000 in 2016/17, which would have been met provided the partnership's surplus was at least £524,000.
- 10.2 However, the outcome was above target and a rebate of circa £289,000 will be paid subject to audit. National statutory pay changes caused a budget deficit of circa £237,000 during the year, which have been absorbed within the core contract sum in addition to generating this surplus, so the trading status is therefore very positive. Medway Norse have absorbed circa £1,041,000 worth of uplifts in relation to Living Wage since the agreement commenced, with no uplifts in cost to the council.

11. Legal, Financial and Risk Implications

- 11.1 There are no direct legal implications of this update report.
- 11.2 The financial implications are contained within the report.
- 11.3 The risk implications are contained within the report.

12. Recommendation

- 12.1 That the report be noted.

13. Suggested Reasons for Decisions

- 13.1 When the Cabinet agreed to establish the joint venture company it was also agreed that regular monitoring reports would be provided to Cabinet.

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Appendices - None

Background papers – None