

## **BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE**

**30 JANUARY 2018**

### **MEDWAY NORSE UPDATE**

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 period 9 (December 2017) in its fourth 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 1st 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 £16m per annum.
- 1.2 There is a requirement to submit reports to Cabinet on a six monthly basis.

#### **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:
  - Corporate Refuse (including secure sites shredding)
  - Trade Waste
  - Project management of Medway Council Corporate sites building works, dilapidation and Improvements, investments and divestments
  - Statutory Maintenance to Corporate Stock and Schools – Combustion Appliances, Legionella, Fire Alarm systems, CCTV and Alarms, Access Control, Lifts etc.

- Hard FM - Reactive and Planned Maintenance to Corporate stock and Schools
- Caretaking and Security services to larger Corporate sites
- Print and Post Room including management of the Corporate MFD's
- Reception Services
- Fleet Management – Currently 120 Vehicles and Various items of plant and machinery
- April 2017 Pest Control and Household Waste Recycling Centre's (34 employees)
- Catering to Corporate sites and Country Parks - 11 sites generating revenue of approximately £1.2m
- HRA Cleaning – Cleaning of Social Housing blocks, communal parts external and internal
- Schools Catering
- Schools Cleaning
- Corporate Stock Cleaning – 167 Corporate sites e.g. Civic Centre, Libraries, Contact points
- Grounds Maintenance – Greenspace sites, Urban and Country Parks, Crematoria and Cemeteries, Sports pitches (76 Football, 6 Rugby, 3 golf courses, Bowling Greens, Tennis Courts)
- Grave digging and burial services, including memorial maintenance
- Cemetery Maintenance
- Arboriculture including Highways and Greenspace Management
- Play Area Management and Maintenance
- Grounds and Greenspace Cleansing including non-highway street scene
  
- **Medway Norse Transport Limited**
- Special Educational Needs Transport – Currently 32 Vehicles
- Community Transport -  
<http://www.medway.gov.uk/parkingandtransport/communitytransport.aspx>
- Transport Procurement Unit
- Vehicle Maintenance

### 3. **Review of 2017 YTD Trading Period 9 December 2017**

#### 3.1 **Governance**

3.1.1 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 Ruth Du-Lieu, Assistant Director Frontline Services. The Board is responsible for the overall performance of the joint venture.

3.1.2 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.

3.1.3 Responsibility for the Corporate Client lies within a number of areas. The original core contract responsibility sits with the Strategic Property and Energy team, managed by Rob Dennis, within the Legal and Corporate Services division; the greenspaces and environmental element sits with Tim England,

Head of Safer Communities and Greenspaces and the Household Waste Recycling Centre operations sit with Sarah Valdus, Head of Waste Services.

- 3.1.4 At the last meeting of the Committee Members raised a concern about the level of detail in the report. Officers are working with Directors and the new Managing Director of Medway Norse to develop a format which provides richer performance information for both Cabinet and Overview and Scrutiny.

## **3.2 Summary of Operations**

- 3.2.1 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.

- 3.2.2 Organic growth has continued with the following services:

- Eastgate Café
- Tree Contract [novated contract complete] – self-deliver from July 2018
- Countryside Ranger Service – self-deliver from May 2017
- HWRC Sites from 27th September 2017
- Pest Control from 1st April 2017
- Chatham Bus Station 1st June 2017
- School Cleaning Contact 1st August 2017.

- 3.2.3 Some service removals and transfers have occurred;

- Innovation Centre Café
- Innovation Centre Receptionist and Caretakers
- Dry side cleaners Leisure
- Catering Staff Leisure (Medway Park, Deangate & Strood)
- Crematoria Receptionist

- 3.2.4 A planning application has been submitted and approved for the installation of a further set of public toilets at the Chatham bus station, construction works have commenced and the facility will be open by late February

- 3.2.5 Medway Norse has continued to progress development of the business the current Managing Director leaves the business on the 31<sup>st</sup> January 2018. Managers are currently focussing to develop markets where demand and margins improve the profitability of the business overall. These include schools, Arm's-Length Management Organisations (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.

- 3.2.6 The joint venture is actively competing for external work for catering, cleaning and grounds maintenance are major priorities.

- 3.2.7 This is highlighted by the acquisition of the schools contract above. However, the trading environment is challenging with relatively few opportunities available – an experience mirrored by other Norse joint ventures. The Medway Norse Board has been very clear in its strategy that external growth

must be in the right markets to be profitable to grow the business. Multiple low margin contracts place an unsustainable strain on the management capacity of the joint venture. Greater efficiency gain has been delivered by the joint venture taking on internal Council Services – either through transfer or in the case of Housing Revenue Account (HRA) estates cleaning and SEN transport, through competitive tender.

- 3.2.8 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.

### **3.3 The Workforce – Creating Local Employment**

- 3.3.1 The total number of job roles to the end of December 2017 was 589 making Medway Norse a large local employer. Since 2013 Medway Norse has created 152 new jobs for Medway residents. The joint venture is continuing to develop its own trade teams to achieve cost savings and to ensure consistent quality of service.

- 3.3.2 Medway Norse has to date employed 17 apprentices including Trades, Accountancy and Business Administration. Opportunities for apprenticeships within the horticultural area are being explored.

- 3.3.3 Medway Norse has been approved by Lloyds Register to ISO 9001:2008 Management System standards. Approval to ISO 14001 Environmental Management standard is in progress.

### **3.4 Special Educational Needs (SEN) Transport**

- 3.4.1 From September 2017 the SEN Transport Service was reduced with some routes being unsustainable. Medway Norse currently directly deliver to five schools, the newest addition being two route to Canterbury College.

- 3.4.2 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.

### **3.5 Grounds Maintenance**

- 3.5.1 The main grounds maintenance contract transferred into the joint venture as of 1 April 2014. There are significant financial compromises currently being made with the core Facilities Management contract currently subsidising this work stream to just under £220k/annum.

- 3.5.2 A review of the initial structure has been completed resulting in the requirement to employ a further Operational Director. This development will further align the business model and lead to improved efficiencies, with a new structure being rolled out in early 2018.

- 3.5.3 The tree contract is currently being delivered by a third party sub-contractor. Initial plans suggested this could be migrated in July 2017 although this was not practical due to numerous other business initiatives, this service is due to

be self-delivered in-house as of July 2018, although there is still some debate about the location of the service.

3.5.4 The Countryside Rangers Services transferred on 1 May 2017.

### 3.6 Local Business Participation

3.6.1 The table below sets out the position for July to December 2017 and Year to Date. Local business participation continues to be strong - Kent & Medway remains steady at 62% with Medway being 48%, demonstrating Medway Norse is continuing to support the local economy by prioritising spend in Medway and Kent

	YTD Budget	YTD Actual	Trend	YE Budget
Total Income	£9,730,171	£10,776,228	↑	£12,881,434
Total Direct Costs	£7,724,622	£8,480,972	↑	£10,275,102
Total Indirect Costs	£1,256,802	£1,382,682	↑	£1,660,678
Profit	£ 418,475	£ 530,099	↑	£505,290

### 3.7 The Corporate Client Function

3.7.1 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.

3.7.2 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.

3.7.3 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 31 to focus on its programme of improving the quality of its buildings for both service users and staff alike.

3.7.4 In particular during the first 9 months refurbishment works were commenced and have completed to the public toilets at Rainham and Northgate (Rochester) – also a major refurbishment at Hoo, along with the full refurbishment of Eastgate café.

### 3.8 The future strategy 2018/9 and beyond

3.8.1 The Council and the Medway Norse Board are determining the appropriate balance between internal and external growth and priority council services to

come into the joint venture for the next two years, this is likely to see some period of short term consolidation.

3.8.2 There are a number of challenges to be faced:

- National Living Wage – 2018 – 2020
- Apprenticeship Levy
- Grounds Maintenance budgets versus revenue
- Maintaining workforce quality
- Ageing workforce (in particular D1 Licences SEN transport).

3.8.3 The pressures facing the joint venture for 2017/18 are mitigated by cost savings already delivered which will have full year effect, by expanded self-delivery, effective management of third party spend and income generation.

### 3.9 **Rebate (Income) for the Council**

3.9.1 In the first four years of trading, Medway Norse has returned a rebate to the Council of £1.3m. In addition the joint venture has brought over £7.2m capital investment into Council services.

3.9.2 Under the agreement the Council will receive 50% of any surplus in future years. The Council has set a rebate income target of £263k in 2017/18.

3.9.3 The current accrued rebate for 2016/2017 £287k some £24k above target. Annual target for 2017/2018 for Medway Norse is £505,290, the business is currently in line to exceed this target during this financial year with profits at the end of half year of £ 530,099 against a target £418,475.

## 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. **Recommendation**

5.1 The Committee is asked to note the report.

### **Lead officer contact**

**Ian Price, Managing Director Medway Norse**

Direct Dial: 01634 283226

Office: 01634 283210

Email: [Ian.Price@ncsgrp.co.uk](mailto:Ian.Price@ncsgrp.co.uk)

### **Appendices**

None

**Background papers:** None