

CABINET

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MEDWAY NORSE UPDATE

Portfolio Holder: Councillor Adrian Gulvin, Resources

Report from: Ruth Du-lieu, Assistant Director Frontline Services and Director, Medway Norse

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Summary

This report outlines the partnership's achievements and performance up to the end of the 2017/2018 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 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 (now five). 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 four areas – facilities management, grounds maintenance, Special Educational Needs (SEN) transport and household waste.

3. Review of 2017/2018 trading

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 has two representatives an elected member and Chair of the Board (currently vacant as Councillor Filmer resigned from position in February 2018) 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 are managed by Sarah Valdus, Head of Environment.

3.2 Summary of Operations

- 3.2.1 Medway Norse Managing Director Ian Price resigned post in the autumn of 2017 and left the business at the end of January 2018. He has been replaced with Andrew Mann, whose appointment brings a lifelong local resident of Medway in to lead the partnership going forward and brings the addition of Waste Service experience and senior management into the Medway team.
- 3.2.2 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.
- 3.2.3 Organic growth has continued with the following services:
- Eastgate Café;
 - Tree Contract novated contract complete;
 - Countryside Ranger Service – self-deliver now in place;
 - Household Waste Recycling Centre Sites managed by Medway Norse from 27 September 2017;
 - Pest Control integrated;
 - Chatham Bus Station Information Centre managed by Medway Norse from 1 June 2017;
 - School Cleaning Contact managed by Medway Norse from 1 August 2017(16 Schools). With additional schools tendering services through the year.
- 3.2.4 Construction works have been completed and the refurbishment of vacant/disused toilet block located within the curtilage of Eastgate House. The

refurbished facility is now serving on a daily basis and will look to enhance the visitor experience at the newly refurbished Eastgate House.

- 3.2.5 A fully refurbished unisex sanitary facility is now also open to the public. It is well used, however there is a growing amount of anti-social activity which will continue to be monitored.
- 3.2.6 Chatham bus station toilets have been constructed and are now open to the public. There has been an encouraging start with no anti-social behaviour reported. One small modification is being made to reposition two information totems to provide sufficient access for wheelchairs.
- 3.2.7 Medway Norse has continued to progress development of the business and there has been some changes in the management structure owing to retirement and leavers, but there has also been good organic development with apprentices moving through to full time employment and new supervisors and managers coming forward in the period. Managers are currently focussing on optimisation and developing markets where demand and margins would 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.
- 3.2.8 The joint venture is actively competing for external work for catering, cleaning and grounds maintenance. This is highlighted by the additional schools cleaning contracts being signed up. 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.
- 3.2.9 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 March 2018 was 540 making Medway Norse a large local employer. 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. Taking advantage of the apprenticeship levy scheme, Medway Norse have a further 16 employees undertaking formal CDP schemes.

3.4 Special Educational Needs (SEN) Transport

- 3.4.1 SEN Transport Service has continued to be provided with routes being optimised. Medway Norse currently directly deliver to five schools, the newest addition being two routes to Canterbury College.

3.5 Waste Services

- 3.5.1 From 27 September Medway Norse assumed management of the three Medway recycling centres. The mobilisation and transfer of service from FCC went smoothly with a number of positive comments from interested parties and members of the public.
- 3.5.2 On 6 March 2018 the Cabinet agreed to the transfer of the Waste Collection and Cleansing Contract to Medway Norse from October 2019, subject to completion of a contract in terms to be agreed by the Chief Legal Officer in consultation with the Leader and the Portfolio Holder for Resources (decision no. 45/2018 refers). Works to mobilise these services are now underway. Medway Norse are working closely with the authority's waste service team.

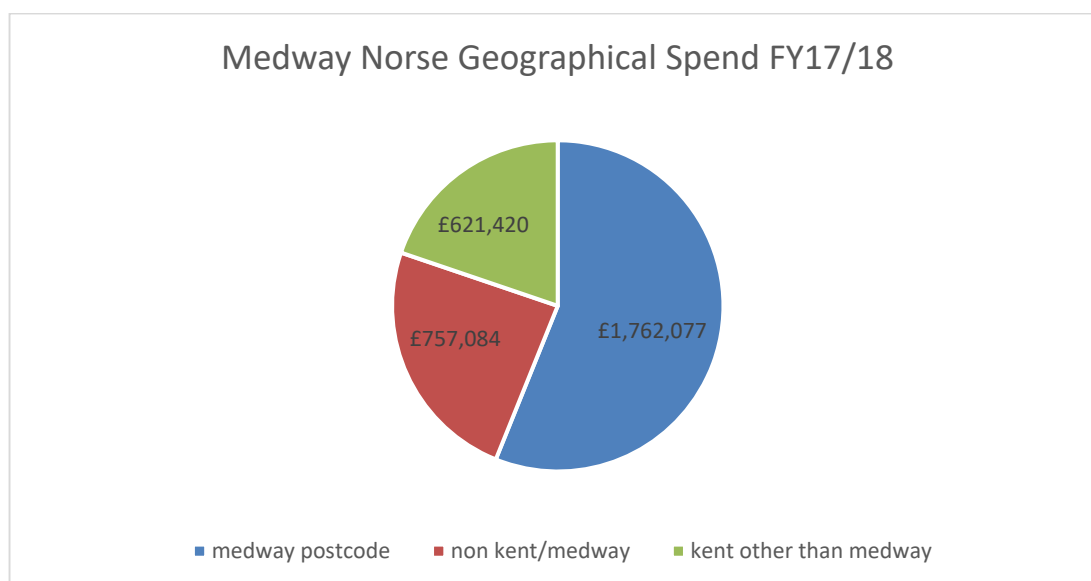
3.6 Grounds Maintenance

- 3.6.1 The main grounds maintenance contract transferred into the joint venture as of 1 April 2014. Over the winter an enhanced program of cutting back has taken place and shrub beds have been cleared and mulched. Reviews looking at extending the working day in the summer growing season and reducing winter hours for grounds operatives aim to increase available hours and reduce overall cost to achieve performance levels.
- 3.6.2 The tree contract is currently being delivered by a third party sub-contractor. Initial plans suggested that this could be migrated in July 2017, although this was not practical due to numerous other business initiatives. Having reviewed this service it is unlikely to be self-delivered as utilisation rates make it currently commercially unattractive. The service will continue to be managed by Medway Norse.
- 3.6.3 Work is beginning on looking at potential opportunities to harmonise teams and deliver savings when the Street Teams are transferred in the autumn of 2019.

3.7 Local Business Participation

- 3.7.1 The table below and pie chart shows the position at the end of the year in terms of total procurement by Medway Norse. Local business participation continues to be strong – The percentage of Kent and Medway suppliers used for material supply and services has risen to 76% of the total procured expenditure. Medway/local is first choice always but not always available, this has risen to 56%. Year on year there has been a continued gradual increase in local suppliers coming on board.

Total Procurement	2017/2018 YTD	%
Medway Suppliers	£1,762,077	56%
Kent Suppliers(Excluding Medway)	£621,420	20%
Rest Of UK (Excluding Kent and Medway)	£757,084	24%
Total Procured	£3,140,581.08	100%
Total Procured Medway and Kent Combined	£2,383,49.7	76%



3.8 The Corporate Client Function

- 3.8.1 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.
- 3.8.2 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.
- 3.8.3 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.
- 3.8.4 A proposal to provide a "balanced score-card" of performance indicators is due to be included by Medway Norse in the next iteration of this report.

3.9 The future strategy 2018/9 and beyond

3.9.1 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.

3.9.2 There are a number of challenges to be faced:

- National Living Wage – 2018 – 2020;
- Apprenticeship Levy;
- Maintaining workforce quality; and
- Ageing workforce (in particular D1 Licences SEN transport).
- Section 19 Permit risk of change.

3.9.3 The pressures facing the joint venture for 2017/18 were mitigated by cost savings delivered, realignment of service specifications to bring costs in line with budgets and increased revenue on the whole in the cleaning area.

3.10 Rebate (Income) for the Council

3.10.1 In the first four years of trading, Medway Norse has returned a rebate to the Council of £1.55m. In addition, the joint venture has brought over £7.2m capital investment into Council services.

3.10.2 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. Final year end accounts are still to be audited but it is likely the rebate income for Medway Council will be in line with the budget.

4. Legal, Financial and Risk Implications

4.1 There are no direct legal implications of this update report at this stage, however as consideration is given to transferring further Council services to the joint venture, this will be undertaken in accordance with all legal and Medway Council constitutional requirements. Any decision to transfer services to the joint venture will be a matter for Cabinet.

4.2 The financial implications are contained within the report.

4.3 Medway Norse Board of Directors maintains and regularly reviews its business risk register in conjunction with the Corporate Client team.

5. Recommendation

5.1 The Cabinet is asked to note the report.

6. Suggested Reasons for Decision

6.1 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