

CABINET

11 JANUARY 2022

MEDWAY NORSE UPDATE

Portfolio Holder: Councillor Phil Filmer, Portfolio Holder for Front Line Services

Report from/Author: Phil Watts, Chief Finance Officer

Summary

This covering report represents a mid-year review of the performance of the Joint Venture from the perspective of the Council client for the 2021/22 financial year. It is accompanied by an update on the Joint Venture's achievements and financial performance prepared by the Partnership Director at Medway Norse.

1. Budget and policy framework

1.1 Review of the performance and financial position of the joint venture is a matter for Cabinet and there is a requirement to submit regular reports to Cabinet.

2. Background

2.1 In March 2013, Cabinet agreed for the joint venture (JV) company, Medway Norse, to be established for the provision of facilities management (FM) services from 1 June 2013. It was established to:

- Provide services to the Council more efficiently, giving better value for money;
- Grow the business through taking on external contracts;
- Increase employment opportunities for local people.

2.2 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). In October 2019, Medway Norse took over responsibility for the waste collection and street cleansing activities, increasing the joint venture's gross turnover to over £25million per annum.

3. Governance

3.1 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, Councillor Phil Filmer and Ruth Du-Lieu,

Assistant Director of Frontline Services. 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.
- 3.3 Corporate client responsibility lies within a number of areas. Responsibility for the original facilities management core contract sits with the Head of Corporate Projects, whilst the greenspaces and environmental elements are managed by the Head of Environmental Services. Special Educational Needs (SEN) transport is under the Head of School Services.
- 3.4 Services provided by the joint venture sit within the portfolio themes of the Deputy Leader and Portfolio Holder for Housing and Community Services, the Portfolio Holders for Children's Services (Lead Member) and Front Line Services and the Portfolio Holder for Resources.
- 3.5 These update reports comprise a covering report from the Council's corporate client, accompanied by an update on the joint venture's achievements and financial performance prepared by Andrew Mann, the Partnership Director at Medway Norse. As agreed, a "balanced score-card" of performance indicators has been included in the update report at Appendix 1.

4. Facilities Core Contract (from Head of Corporate Projects)

- 4.1 The pandemic is providing the public with challenges and pressures that ultimately will bear upon Medway Council and Medway Norse in the form of new pressures in protecting the public, officers and third parties. These include challenges to our security position which we have been reviewing for threat review. Medway Council / Medway Norse have carried out these reviews to ensure we can analyse and support the actions being taken. We also refer our captured evidence to ensure we are following the necessary protocols and work with the Police to ensure we can control any situation where there is a higher-than-normal risk it is addressed, and a review of the risk assessment and 'actions on' protocols will then be undertaken to consider whether strengthening the service and/or other recommendations are appropriate.
- 4.2 Work to prevent anti-social behaviour at Rainham library has been identified and a new fence will be proposed to the rear car park, and if approved be issued to Medway Norse under a works order to complete.
- 4.3 New lighting and wiring is now required at Upnor Castle and stone masonry repairs will be reviewed with Heritage and LMA.
- 4.4 Improvements are under review to give the public access to public toilets at Hoo library, Medway Norse have prepared a price to be approved/agreed in a response to public comments/feedback.
- 4.5 Medway Norse and Medway Council are to carry out a review of the updated draft Service Level Agreement (SLA) and appendices to ensure that it shows the current position of services supplied under the Core Contract, particularly Appendix A. Following this exercise, it will require considered review following which it will be reproduced to provide each building with a specific SLA.

Commercially sensitive financial information will not be incorporated as this is classed as appropriate to the finance officer's discretion deemed as authorised persons via the annual pricing review/strategy meeting. The content will be reviewed in accordance with normal FM measures, to enable continuous review and these will be used in the management of improvements. The meetings will be convened in the New Year to move the draft documents forward. A review of value and KPIs should be undertaken to ensure that the services Medway Norse are to undertake are receiving best value as additional services will cost Medway Council further funds, particularly when there is a restriction on budgets.

- 4.6 The Corporate Portfolio will require a new Condition Survey in the coming year, Category Management and our Building Safety management officers are selecting the correct route to engage an updated current set of condition surveys (Subject to procurement requirements of 3 quotes for works over £5,000 or tender works under OJEU rules for packages). These surveys have been discussed this year with Medway Norse who will be part of the ongoing procurement discussions and to ensure we have the latest requirements incorporated for the Corporate Client and the Facilities Management Joint Venture.
- 4.7 Medway Norse are invited to the regular Heritage portfolio meetings and provide invaluable input to the building's repairs and adjacent green spaces, as well as development of solutions that are shared with our Conservation officers and Client leads. The solutions and finance are reviewed in partnership with English Heritage/Heritage England with whom we regularly engage.
- 4.8 The Medway Norse Greenspaces service Director has been assisting Medway Council with a number of enquiries over Council owned walls and assets to ensure that we respond to health and safety identifying the business case and funding options to move the reports forwards.
- 4.9 Pressures arising and increasing in this quarter include labour resources, which continue to be a concern in the supply of labour/trades and SEND drivers. This is not unique to Medway Norse, and their central recruitment is now utilizing recruitment agencies. The market is also driving rates.
- 4.10 Medway Norse continue to provide a good level of service through good relations with our supplier base and the resource issue is largely unnoticeable to the client. The knock-on effect is that our sub-contractor costs are on the rise.
- 4.11 Material prices are also a pressure and on the rise to in the region of 3.8%, coupled with some pipeline delays increasing lead-times for repairs.
- 4.12 Further works are in the pipeline from the Building Repairs and Maintenance Fund (BRMF). These were due to be submitted for review and approval in December.
- 4.13 Pavilions, the previous review of asset priorities produced by Medway Norse centred on service delivery and income priorities. There will be a review of the priorities and non-occupied buildings are to be reviewed, such as Public

Toilets and Pavilions, and the normal reactive repairs will continue to be affected.

- 4.14 As part of the Climate Change review an Audit of Council waste arisings (all buildings) is required. Follow up on any recommendations for improvements has been actioned by Medway Norse and no further improvements can be made.
- 4.15 New Community Hubs/Library Capital Projects are underway, Medway Norse have been supporting the Capital Projects team in their delivery of the data sets regarding user groups, and the impact of Covid 19 on groups using, or planning to return to the centre next year.
- 4.16 Health and Safety emergency Plan contingency. The Gun Wharf postal protocols are under review with emergency planners, health & safety and facilities office managers in regard to the current HSE recommendations and are designed and adapted to suit Medway Norse specifically to the end users' requirements. Appendices will enhance the details in the Protocol document, and are guidance in specific instances, and advisable for direct contacts of mail in any form. These will be presented to and approved by Medway Council.

5. Green Spaces (from Head of Environmental Services)

- 5.1 Medway Norse, in partnership with Medway Council, manage the landscaping of the two country parks, 106 play areas, seven green flag sites, five cemeteries, crematorium grounds, a grave digging service and all the open spaces. They also manage the 72 sports pitches, grass bowling greens, grass tennis courts, a Pitch and Putt site at Snodhurst Bottom, all of Medway's grass verges and the 18,000 trees within the public realm.
- 5.2 Medway Norse have faced a challenging year, due to a late and extended growing season and staffing issues since early May 2021, with about 20% reduction in staff due to recruitment and retention issues.
- 5.3 The extended growing season has also affected the service delivery with grass cutting extending well into the late autumn period.
- 5.4 Tree planting has commenced in November with 50 trees across the Medway network, and assisted community groups with planting of 250 whippies as part of the woodland trust schemes into parks and schools.
- 5.5 An additional 10 sites of spring bulbs have been planted this quarter ready for spring display.

6. Transport (from School Services Transport Manager)

- 6.1 Special Educational Needs and Disabilities (SEND) Travel Assistance across Medway is provided to eligible children and young people in various forms including solo transport, shared vehicles, fuel allowance and personal travel budgets. The provision of transport (e.g. via taxi, minibus) is met by a number of providers who all form part of our transport framework. The previous transport framework expired in July 2019 and a new framework was implemented from September 2019, following a rigorous procurement

process. Since then, Medway Norse has continued to play a part in the transporting of SEND pupils to and from school, transporting approximately 390 pupils every day from a total shared transport cohort of over 1300.

- 6.2 Since the implementation of the new contracts in September 2019, the provision delivered by Norse has continued to improve and is operating to a good standard, evidenced by reduced customer queries and complaints numbers across a high number of routes. Any safeguarding concerns raised are resolved quickly.
- 6.3 Schools have a good working relationship with Medway Norse and communication with both schools and Council officers is at a good level, which was highlighted during the Covid-19 crisis, where transport continued to be provided as necessary in challenging circumstances.
- 6.4 Medway Norse reacted to the Covid-19 situation positively during the lockdown period and this continued into the full return of pupils in September 2020 and the again in March 2021 through to the current period, against a challenging national backdrop of driver and vehicle availability. All pupils requiring transport on Norse routes are being appropriately transported to and from school, with additional support from other framework providers.
- 6.5 The School Admissions and Transport Team will continue to work with Medway Norse, so that the service delivered: a) meets the expectations of Medway Council, schools and families; b) focusses on the needs and best interests of the children and young people and; and c) is delivered in the most cost effective manner to ensure best use of public funds.

7. Household Waste Recycling Centres (HWRC) (from Head of Climate Response and Environmental Services)

- 7.1 The HWRC contract broadly consists of the following elements:
 - The management of three HWRCs;
 - The haulage of all materials arising at the sites with the exception of Waste Electrical and Electronic Equipment (WEEE) and household batteries, which are covered by Producer Compliance Schemes (PCS);
 - The marketing and sale of materials arising at the sites with the exception of residual waste, wood waste, and those detailed above;
 - A 50/50 risk share on all materials sold;
 - Achievement of a 60% recycling rate in Year 1, 61% recycling rate at Year 2 and 62% recycling rate for Year 3 onwards.
- 7.2 Highlights this period include:
 - 7.2.1 All three HWRC's are operating under booking system.
 - 7.2.2 Available booking data for the period 1 April to 14 November 2021 shows that 70% of the slots offered were booked with 16% no shows.

	Hoath	Capstone	Cuxton	Total	Percentage
Booked slots	42,968	45,942	53,243	142,153	70%
No shows	6,707	7,638	8,573	22,918	16%
Slots offered	58,392	75,048	70,312	203,752	
Actual visits	36,261	38,304	44,670	119,235	

7.2.3 Tonnage data for this reporting cycle is available for April until September 2021 and shows that the HWRC's have achieved a 63% recycling rate.

	Capstone	Cuxton	Hoath way	Total
Recycled (as per NI192 calculation)	1,580	1,790	1,336	4,706
Residual waste	933	931	879	2,743
Total waste	2,513	2,722	2,215	7,449
Recycling rate	63%	66%	60%	63%

7.2.4 During the previous reporting period Medway Norse went live with a new outlet for rigid plastics at Capstone only. We are pleased to report that 18 tonnes of plastics were diverted from residual waste to recycling and the service has now been rolled out to Cuxton (data available next reporting cycle).

7.2.5 This new scheme replaces the rigid plastics outlet that was lost due to market conditions in 2017 and means customers can now take unwanted garden furniture, children's plastic toys, plastic storage containers and more to be recycled at Capstone site. Further work will continue over the next year to implement the scheme at the remaining sites.

8. Waste Collection and Street Cleansing (from Head of Climate Response and Environmental Services)

8.1 Medway Norse has maintained a good standard of service on the waste collection and street cleansing contract. The severe shortage of qualified HGV drivers nationally has been experienced at Medway Norse. The collection service continuity has been maintained through staff overtime and redeployment of two supervisors who are qualified HGV drivers.

8.2 Monthly contract meetings between Medway Norse and Waste Services review performance, good practice, issues and improvement opportunities.

8.3 The performance of the contract by Medway Norse continues to remain at a good level. Throughout the pandemic collection drivers and loaders have been redeployed to rounds and services they are not always familiar with. This can result in missed collections where staff are unfamiliar with the rounds and is reflected in the largest stage 1 complaint increase in the "collection issues" and "missed collections" categories. However, the contracts team continue to work with Medway Norse to understand this increase and ascertain the root cause of any increase so that numbers can be reduced.

8.4 Medway Norse continue to provide a very popular bulky waste service to Medway customers. The service remains very popular and all available slots were fully booked with a 4 week wait for standard collection.

9. HRA Housing Landlord Service (from Head of Strategic Housing)

- 9.1 Estate Services continue to be delivered effectively in partnership with Medway Norse, with sixty inspections carried out by Housing Management on a quarterly basis to assist with contract monitoring. The Medway Norse Team deliver customer satisfaction cards to tenants / Leaseholders on a daily basis and freepost back to Housing, to Monitor customer satisfaction.
- 9.2 Operational meetings continue every six weeks, where day to day issues, performance and customer satisfaction are addressed. Strategic meetings are carried out bi-annually where the suite of eight Key Performance Indicators (KPIs) and the open book accounting with profit share are monitored.
- 9.3 The Inspections carried out by Housing Management on a traffic light system, for QRT 1, year seven of the contract, October, November and December 2021, Green graded 19 sites, Amber graded 08 sites, Red graded zero. There were still 33 sites due to be visited before the end of December. The sites are graded in line with Housings, Estate Standards Booklet.

10. Medway Council Sign Shop

10.1 **Proposal to Transfer to Norse**

- 10.1.1 Medway Council has historically provided an internal sign making service known as the Sign Shop. The Sign Shop was located at the Civic Centre in Strood and was managed by Waste Services, which is now Environmental Services.
- 10.1.2 The service was transferred to Highways a few years ago and currently runs as a “breakeven” service with costs balanced by income. The main customers are the Highways Team and Events Team, but the service has the potential to be more commercial and become an income generating business if it was managed within a commercial environment.
- 10.1.3 It has been proposed that the service could transfer to Medway Norse.

10.2 **Current Operation**

- 10.2.1 The Sign Shop is now situated in Gun Wharf and consists of 1 x FTE member of staff on Range 4 of the Council’s payscale. As such, a TUPE agreement would be required in respect of the postholder transferring, with the operation, to Medway Norse.
- 10.2.2 An informal discussion was undertaken with Medway Norse, who are keen to take on the operation due to the following factors:
- Norse already run the Print Room Service on behalf of Medway Council, which is located next door to the Sign Shop in Gun Wharf, and they see opportunities across both services.
 - The Sign Shop currently pays for the signage to be erected and it is possible that Medway Norse may have their own resources that can undertake this work, presenting savings opportunities for them.
 - Medway Norse have commercial customers they are able to offer the service to, presenting opportunity to expand the business.

10.2.3 At the meeting a discussion was held around some of the equipment that requires upgrading. Medway Norse have asked that, where possible, no upgrading occur as they are looking for new equipment for the Print Room service and it is possible to buy multifunctional equipment to cover both services.

10.3 **Proposal**

10.3.1 It is proposed that the Sign Shop, including the member of staff, the equipment, and all budget provision (both expenditure and income) is transferred to Medway Norse in its entirety, commencing 1 April 2022.

10.3.2 Medway Norse have requested the business continue to run from Gun Wharf, to enable them to realise opportunities across it and the Print Room service. As such, any rental agreement for the space would align with agreements previously made for the Print Room service.

10.3.3 It is recommended that Cabinet approve this TUPE transfer to Medway Norse and instruct the Business Change Team to work with the service to implement the TUPE transfer to ensure the correct HR processes are completed in respect of the employee involved.

11. Risk management

11.1 The Medway Norse Board maintains and regularly reviews its business risk register in conjunction with the Corporate Client Team.

12. Financial implications

12.1 The joint venture has now posted final accounts for the 2020/21 financial year, reporting a total profit of £1.33million and is expecting to return a rebate of around £665,000 to Medway Council. This represents a significant increase over previous years. A profit of £1.15million is anticipated in the current financial year and a rebate to the Council of £575,000.

13. Legal implications

13.1 There are no direct legal implications arising from this update report.

14. Recommendation

14.1 The Cabinet is asked to note the contents of this report and its Appendix and to formally approve the transfer of the Medway Sign Shop service to Medway Norse.

15. Suggested reason for decision

15.1 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

Appendix 1: Medway Norse Cabinet Report 2nd Quarter 2021

Background papers

None