

Cabinet

7 April 2026

Medway Norse Contract Extension Procurement

Portfolio Holder: Councillor Simon Curry – Portfolio Holder for Climate Change and Strategic Regeneration

Report from: Adam Bryan – Director for Place

Author: Ruth Du-Lieu – Deputy Director of Place

Summary

This report seeks permission to re-engage Medway Norse Limited to continue to operate services for Medway Council as a Joint Venture (JV) LATCo.

1. Recommendations

1.1. The Cabinet is requested to note the contents of this report and note that the contract is performing equal to or above expectations for the services which will remain in the joint venture after April 2026 as follows:

- Waste Services
- Greenspace Maintenance
- Household Waste Recycling Centers (HWRCs)
- SEND transport

1.2. The Cabinet is requested to approve the re-engagement of Medway Norse Limited to continue operating the frontline service functions detailed in 1.1. This will maintain the Joint Venture arrangements, enabling Medway Norse Transport Limited to continue delivering SEND Transport.

1.3. The Cabinet is requested to approve the establishment of a new agreement commencing 1 April 2026 and running until 31 March 2031 (60 months), with an option to extend for a further 24 months.

2. Suggested reasons for decisions

2.1. Agreement of this contract will enable the Council to continue to meet its statutory obligations and will strengthen the joint venture securing the continuity of frontline services and SEND transport.

2.2. The proposed contract structure and length strengthen client oversight and ensure the services are aligned with upcoming changes, including Local

Government Reorganisation, national waste reforms and the Council's Climate Change Action Plan, ensuring the joint venture remains fit for purpose over the next contract term.

- 2.3. In addition, the timeframe means that the necessary investment in resources can be aligned to the forthcoming business plan objectives.
- 2.4. The contract must be established in accordance with TECKAL requirements to ensure the joint venture remains compliant as a Local Authority Trading Company (LATCo) and to enable the Council to award the contract directly without undertaking a full procurement exercise.

3. Budget and policy framework

- 3.1. This Cabinet report is within the Council's policy and budget framework and ties in with all the identified Core Values, Strategic Priorities, Strategic Council Obligations and Departmental/Directorate service plans as detailed below.
- 3.2. The Medway Norse partnership reflects the Council's core values by delivering customer-focused services that provide value for money. The services within this contract directly support the Council's priority for clean, green, safe and connected communities and also contribute to wider priorities by ensuring reliable SEND Transport, supporting access to education, maintaining attractive public spaces, and improving health and wellbeing across Medway.
- 3.3. Such services need to support the Council's strategic direction for Waste and Greenspaces that, in turn, provides the basis for targets in performance and community plans. The primary objectives are to:
 - 3.3.1. Ensure compliance with statutory duties.
 - 3.3.2. Meet statutory performance targets.
 - 3.3.3. Ensure continuity of a frontline service.
 - 3.3.4. Provide services within agreed budgets.
 - 3.3.5. Meet requirements to achieve efficiency gains.
 - 3.3.6. Provide environmentally sustainable services.

4. Background

- 4.1. Medway Norse Limited is a joint venture (JV) company established in June 2013 between Medway Council and Norse Commercial Services (part of the Norse Group which is owned by Norfolk County Council).
- 4.2. Operating as a Local Authority Trading Company (LATCo) it was designed to deliver essential frontline services more efficiently while providing for an annual rebate back to the Council. The JV operates as a commercial entity in respect of hard and soft FM, building cleaning, greenspaces, pest control, catering etc. Operating on an 'open book' accounting model, with the Council receiving an annual rebate on the contract, equivalent to 50% of pre-tax profits. Shareholders from both organisations sit on the Board of Directors.

The Council has two non-executive directors on this board one of which is the board's Chairperson.

- 4.3. There is also a Cabinet Sub-Committee (Medway Norse Limited Shareholder Board) which acts with delegated authority of the Medway Council Cabinet and is chaired by Councillor Simon Curry. This Sub-Committee oversees the Council's interests as a shareholder in the JV. The primary responsibilities for this Committee are strategic oversight, performance monitoring, risk management, business planning, governance and appointments and shareholder decisions.
- 4.4. At its inception in 2013 the partnership was set up to manage a diverse range of public services across Medway. The core contract included SLAs and schedules for soft and hard facilities management (FM), SEND transport and all aspects of greenspaces. This expanded to include SLAs and schedules for delivery of waste and environment functions and the management of three Household Waste & Recycling Centres (HWRCs).
- 4.5. Medway Norse limited operates as a commercial entity in respect of hard and soft FM, building cleaning, greenspaces, pest control, catering etc. The income generated forms part of the annual profit share and therefore supports the Council's revenue generation.
- 4.6. The Medway Norse contract expired in March 2023 ten years after its inception. Since that point, Medway Council has relied on the strength of the joint venture and the well-established partnership to maintain service delivery and operate services on implied terms from the out-of-date contract.
- 4.7. In a bid to improve oversight, before addressing the expired contract, the Council embarked on a strategic review of the JV via a programme of work. Several projects were commissioned to examine the different functions undertaken by Medway Norse and to test out effectiveness and performance. This also included a review of the overall governance in place for the LATCo.
- 4.8. In April 2025, the JV was served with formal notice of the Council's intention to remove all corporate FM services from the JV effective April 2026. This decision was aimed at gaining greater cost control and performance management through a new hybrid delivery model. A TUPE process is underway which should conclude on the 1 April 2026 and affected staff transfer to either the Council or to an appointed contractor.
- 4.9. The JV will continue to provide FM services and honour existing contracts outside of the Council.
- 4.10. Some aspects of greenspaces will also be removed from the JV specifically the management of Country Parks, Allotments and Arboriculture effective April 2026. These will all be managed by the Council directly.
- 4.11. The strategic review of the JV has found that functions like waste and environment, HWRC services, green space maintenance and SEND transport

are performing well and would continue to benefit from being delivered by Medway Norse Limited in the JV. However, to do so the contractual status of the JV needs to be addressed along with a new business plan in line with the constitutional documents for Medway Norse Limited. It is envisaged that both documents will be in place from 1 April 2026.

- 4.12. The JV strategic review programme will continue to work on reviewing end to end processes, operational methodology and performance improvements after the contract has been extended. This will be necessary to reflect the changes likely to be required as part of Local Government Reorganisation and the new waste strategy. The schedules will be updated as a result.
- 4.13. The contract length will be 60 months plus the option of a 24-month extension to be mutually agreed.

5. Options

- 5.1. The following is a detailed list of options considered and analysed for this report.
- 5.2. **Option 1 – Re-engage Medway Norse: This is the preferred option** and would see a new 60-month contract (with a 24-month extension option) implemented. This option provides immediate stability, ensures statutory service continuity and addresses the governance risk identified by CIPFA arising from operating without an executed contract. Medway Norse already delivers high-performing waste, greenspace maintenance, HWRC and SEND transport services, and the JV model provides operational resilience, transparent open-book accounting and an annual rebate that directly benefits the Council.
 - 5.2.1. Re-engaging Medway Norse with a formalised contract allows updated SLAs and KPIs to be introduced in line with the JV strategic review, strengthening client oversight and aligning the services with future requirements such as Local Government Reorganisation, the new national waste reforms and the Council's Climate Change Action Plan. The strengthened governance we have developed, will include a dashboard to provide a mechanism to ensure performance is effectively monitored. This will support scrutiny via the Client Liaison Board, the Cabinet Sub Committee and the operational client meetings that regularly take place. This option avoids the substantial cost, delay and risk associated with an open market procurement and removes the need for an interim extension, providing certainty for residents, frontline staff and the wider organisation. Overall, Option 1 represents the most efficient, lowest-risk and strategically aligned route for maintaining and improving essential statutory services.
- 5.3. **Option 2 – Open Market Procurement:** An Open Market Procurement could be carried out but would require a short-term extension with Norse of around 18-24 months to maintain statutory service delivery. This would prolong the contractual and governance risks already highlighted by CIPFA and delay the certainty the Council needs. The Council also lacks appropriate depot

infrastructure to support a new waste contractor, meaning any incoming provider would face significant mobilisation challenges, additional costs, and delays. Previous SEND transport procurements have also demonstrated limited market interest, making it unlikely that a competitive and resilient provider market exists for the scale and complexity of services required. With major programmes such as Local Government Reorganisation and the upcoming national waste reforms, entering a full procurement now would divert critical resources, increase mobilisation pressures, and pose a substantial risk to service continuity and transformation planning. This option therefore increases risk, delay and cost, while still relying on Medway Norse in the short term to ensure statutory service continuity.

- 5.4. **Option 3 – In-sourcing services via a Direct Labour Organisation (DLO):** The Council could bring services and run them as a DLO which could offer benefits such as greater direct control, in-house flexibility, and the potential for long-term cost efficiency once established. However, this option is not viable at this time as the Council does not have the required depot or operational infrastructure to deliver waste, HWRC services, SEND transport, or elements of greenspace maintenance in-house. Establishing suitable facilities would require significant capital investment, planning approvals and a lengthy mobilisation period. A DLO would also involve major TUPE transfers and the creation of new operational structures during a period where organisational stability is needed for LGR and national waste reforms. For these reasons, in-sourcing is not feasible at this time.
- 5.5. **Option 4 – Do nothing: This is not a viable option.** The Council has statutory duties to provide waste collection and disposal services, HWRC provision, greenspace maintenance and SEND Transport. Allowing the current arrangements to lapse without establishing a new contract would result in the Council being unable to meet these legal obligations, creating significant operational, financial and governance risks. Failing to act would also leave the joint venture operating without a formal, executed contract, exacerbating the governance issues previously identified by CIPFA and exposing the Council to potential service failure. For these reasons, the Council must implement an alternative option that ensures continuity of statutory services and maintains compliance with its legal responsibilities.

6. Advice and analysis

- 6.1. **The preferred procurement route is to re-engage Medway Norse limited under option 1.**
- 6.2. The well-established relationship between Medway Council and Norse Commercial Services has stood the test of time and weathered several storms including the celebrated response to the pandemic. There are several important considerations that need to be highlighted when reviewing this report and the recommendation to extend the contract. These include:
- 6.3. In 2024 CIPFA carried out a financial resilience review of the Council. Contained within its findings there were specific contractual risks identified

because the Council continued to engage with Medway Norse without an executed service agreement in the form of a contract. It is expected that CIPFA will carry out a further review in 2026 and it would be preferable to have this risk mitigated with this contract extension.

- 6.4. Medway Norse limited has been effectively carrying out all aspects of the waste service since 2019. This is a statutory obligation for the Council and one that is key to our residents. With the challenges that LGR will bring and the desire to modernise waste to improve recycling, reduce littering and respond to the legislative changes it is essential that the Council maintains a steady and resilient service in the coming months and years. The JV and current set up represent an ideal platform for the Council to have in place to support change and maintain continuity. CIPFA also referred in their report to the Council needing to set out clear plans for changes in waste management services to ensure progress towards financial stability.
- 6.5. The Council's continued commitment to the joint venture with Norse Commercial services in the form of a contract extension, places the Medway Norse Transport contract in a far better position to assure the continued service agreement for SEND Transport. This is a statutory service that under Medway Norse implemented several policy changes in 2025. The Education Travel Assistance Policy (effective September 2025) implemented policy changes in conjunction with Medway Norse which is testament to the advantages of operating a partnership driven service. It should be noted that Medway Norse operates as the lead manager for the entire framework of over 300 SEND transport journeys across Medway. The alternative would be to test the market for appropriate transport providers however, previous procurement exercises have demonstrated it is unlikely there would be sufficient interest from private providers to operate on this scale.
- 6.6. This contract has consistently met performance targets and is efficient and effective in supporting the Council to execute its statutory duties. The contract has demonstrated a strong commitment to sustainability through its environmental initiatives such as recycling processing services and environmental social value schemes working with the third sector. Overall, this high performing contract has proven to be an asset in achieving the Council's objectives and delivering value to the community.
- 6.7. It is recommended that the contract length be a 60-month term with the option to extend for 24-months by mutual agreement. This term is necessary to ensure that the investment in resources is made in line with the business plan objectives.
- 6.8. Ideally, given the financial sums involved in this arrangement, an exercise would have been undertaken to renegotiate the terms and conditions and to agree updated service schedules prior to any contract extension. However, considering the serious concerns raised by CIPFA (paras. 6.3 and 6.4), alongside the risks associated with being unable to operate statutory services, a pragmatic approach is required. When these risks are balanced against the historic levels of good service provision, the increased governance and

oversight and the evident goodwill between parties, the overall risk is considered manageable.

7. Risk management

7.1. The table below details risks associated with the ongoing success of this contract including mitigation plans.

Risk	Description	Action to avoid or mitigate risk	Risk rating
Financial	Operating without a formalised contract exposes the Council to CIPFA-identified financial and governance risks, including potential unquantified liabilities and unclear cost baselines.	Execute the new 60-month contract with updated schedules, KPIs and open-book arrangements. Strengthen client monitoring and financial reporting.	CII
Service Continuity	Failure to secure a long-term contract risks disruption to key statutory services (Waste, HWRCs, Greenspace maintenance and SEND transport).	Approve Option 1 to ensure continuity through an agreed JV structure that is already delivering high-performing services. Maintain robust monitoring and contingency planning of services post implementation.	DII
Reputational	Interruption or deterioration in frontline services could result in complaints, loss of resident confidence and political scrutiny.	Strengthen contract management, implement updated KPIs, and ensure regular performance reporting to the Shareholder Board and DMT.	DII
Operational (Infrastructure)	Lack of Council-owned depot infrastructure poses a risk if services were re-procured or transitioned to an alternative provider.	Maintain service delivery within Medway Norse, utilising existing facilities, fleet and operational capability. Include future depot strategy considerations in long-term planning.	CIII
Legal/Compliance	Continuing to operate on implied terms risks non-compliance with procurement law and	Formalise contractual arrangements with Medway Norse under LATCo exemptions, supported by Legal	CII

Risk	Description	Action to avoid or mitigate risk	Risk rating
	exposes the Council to challenge.	Services oversight and transparent governance.	
Workforce / TUPE	Changing provider would trigger significant TUPE transfers, risking staff instability, loss of operational knowledge and reduced service performance.	Retain service delivery in the existing JV to avoid unnecessary TUPE activity and maintain workforce stability.	CIII
Strategic Delivery (LGR & Waste Reform)	Failure to stabilise delivery arrangements may delay preparations for Local Government Reorganisation and implementation of the new national waste reforms.	Secure the JV contract to provide stability and capacity for strategic transformation work.	BIII

For risk rating, please refer to the following table:

Likelihood	Impact:
A Very likely B Likely C Unlikely D Rare	I Catastrophic II Major III Moderate IV Minor

8. Consultation

- 8.1. This report has been reviewed by the Director of Place and the Chief Operating Officer and the AD Legal Services and Governance and internal stakeholders prior to submission for Cabinet decision.
- 8.2. Further external stakeholder consultation is not applicable for this report.

9. Climate change implications

- 9.1. Climate change considerations need to be included in the 2026-2031 contract with the aim of holding the contractor accountable for improving carbon emissions associated with the contract, in support of the Council's Climate Change Action Plan.

10. Financial implications

- 10.1. Negotiations regarding the contract prices for the waste, street cleansing and core green spaces contracts concluded in January. These were reflected

within the 2026/27 revenue budget agreed by Full Council on 25 February 2026 and are set out in the table below.

Contract	2026/27 Contract Value £
HRA Cleaning	552,748
PMA Schools	78,252
SEN Transport	2,940,000
Waste Collection and Street Cleansing	17,036,323
Grounds / Green Spaces (incl. park locking and the crematoria and cemeteries)	4,672,943
	HWRC
	2,130,131
Total	27,410,397

11. Legal implications

- 11.1. The Council's former contractual arrangements with MN expired due to the effluxion of time. The services provided by Medway Norse are significant in terms of reach with our residents and expenditure. Those services continue to be delivered on the basis that the former contract is being rolled over, and both parties are acting and behaving in accordance the former contractual arrangements.
- 11.2. In July 2023, the Council and Medway Norse entered into discussions with a view to negotiate new terms and conditions inclusive of detailed service schedules to define and regulate their relationship. Adopting a collaborative approach and weekly meetings, significant progress was made in agreeing the terms and conditions for the main contract and also defining the service requirements. Those discussions are continuing and will need to continue until all of the services requirements are fully contained within the contract.
- 11.3. The Council is now considering entering into a new contractual relationship with Medway Norse notwithstanding that the main terms and conditions need to be agreed (at the time of writing) and detailed updated service schedules remain to be renegotiated so that they are fit for purpose.
- 11.4. Entering a multiyear multi, million pound contractual relationship, knowing that the terms need to be negotiated from the outset carries significant risks and this must be borne in mind by the Council in making this decision.
- 11.5. More recently the relationship with elements of Medway Norse has been challenged by the removal of some services but we are told those on the partnership board report that they are confident that the overall relationship remains positive.
- 11.6. Once a new contract has been entered into the Council will have surrendered any negotiating power and proposed modifications to the contract would be reliant on the agreement and goodwill of Medway Norse.

11.7. It is a matter for Members to balance these risks against the current risk of having significant services delivered out of a contractual relationship.

Lead officer contact

Ruth Du-Lieu – Deputy Director of Place
ruth.dulieu@medway.gov.uk

Appendices

None.

Background Papers

None.