

STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL

Resources Overview & Scrutiny Panel

25 November 2020

TITLE:	Joint Venture Partnership to Delivery Facilities Management Services
PORTFOLIO HOLDER:	Councillor Edwin Wain- Portfolio Holder for Planning, Development and Property
CONTACT OFFICER:	Neil W Rodgers - Executive Director (Place)
WARDS INVOLVED:	All Wards

1. Reason for the Report

1.1 The Purpose of this report is to bring to the attention of the Committee the engagement that is underway with Norse Group Ltd to develop a joint venture partnership for the purposes of delivering the Council's Facilities Management Services, and to provide a vehicle for securing commercial opportunities to offer such services to other public and private sector organisations in Derbyshire and Staffordshire.

2. Recommendation

2.1 To note the contents of the report.

3 Executive Summary

3.1 Norse is wholly owned by Norfolk County Council and has 30 joint venture agreements with primarily local authorities. These joint ventures (JVs) are set up in a similar way to the Council's arrangements with AES in that they are co-owned by both the Alliance Councils and Norse. Norse bring added value by:

- Increasing management capacity,
- Providing a commercial focus to add in additional external work,
- A drive for profit / savings which they share with the local Council partner.

3.2 Norse provide facilities management in a number of their joint ventures with Councils. Their ability to trade allows them to drive down service costs, improve service delivery and increase turnover, all to the benefit of the JV partnership. Once they establish a joint venture in a locality, they tend to focus on the education sector (schools and colleges) to gain building maintenance and facilities management work.

3.□3 Norse are keen to expand into Derbyshire and Staffordshire as they have just agreed a joint venture with Amber Valley Borough Council (although this focuses on waste collection and wider environment services) and they will be able to reduce their management overheads and increase their geographic spread.

The Process Towards Creating A Joint Venture Partnership

3.□4 Norse are keen to explore partnership opportunity with this Council and High Peak Borough Council and will work together to undertake a “Due Diligence” assessment which will take the following steps:

- Development of a Proposal for consideration – ALT met with Norse in June and agreed to work with them to develop a proposal for consideration. This was based on both Councils providing baseline management information. The Outline Proposal is summarised in this report,
- Production of a Full Business Plan which would involve the completion of all the necessary due diligence – which would take up to 3 months,
- Delivery of an implementation plan which would involve all the necessary legal considerations, TUPE transfer requirements, contract novation etc,
- The JV Partnership Proposal will be considered by the High Peak Executive and the Staffordshire Moorlands Cabinet before work on implementation of the partnership would commence.

- This model would potentially meet all of Staffordshire Moorlands FM requirements. The fallout from the DCC part outsource arrangements is not likely to suit the Councils’ service requirements. The arrangements have proved to be complicated and frustrating to manage and the added hindrance of the service delivery being split between DCC and Veritas is not believed to be the right solution. The service is also expensive with current costs being well in excess of budget. Both Councils need to exit from this arrangement as soon as is practical.

Timeline

3.4 Taking into account the impact of COVID-19 the following timeline would see the potential to commence implementing the new arrangements by April 2021:

- August 2020 - Both Councils' acceptance of the outline proposal and agreement to commence the Due Diligence Assessment,
- September 2020 - commence due diligence work,
- November 2020 - fully costed business plan provided to the Councils,
- December/January 2020/21 - A report to both the Staffordshire Moorlands Cabinet and the High Peak Executive on the Business Plan and Implementation Plan,
- January 2021 – April 2021 commence Implementation Plan,
- April 2021 - IED approvals from both Councils to authorise legally establishing the joint venture partnership, confirming the details as to the proposed approach.

4. How this report links to Corporate Priorities

4.1 A JV partnership with Norse would support Aim 2 of the Council's Corporate Plan "To use resources effectively and provide value for money".

5. Alternative Options

5.1 There is not an alternative "Do Nothing" option available as the current contract for FM services with DCC has expired and would have to be migrated to a new contract with Vertas as DCC have signed a joint venture partnership with that company to fulfil all its FM services for County properties. Entering a contract with Vertas would not give the Alliance the opportunity to increase efficiency and reduce costs or secure additional revenue from business growth.

6. Implications

6.1 Community Safety - (Crime and Disorder Act 1998)

Not Applicable.

6.2 Workforce

It is anticipated that the Councils would retain an intelligent client side function to oversee and manage the contract with relevant

frontline staff delivering FM services transferring to the joint venture partnership company under the TUPE Regulations.

The transfer of employment will be in accordance with Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) and Collective Redundancies Transfer of Undertakings (Protection of Employment) Regulations (Amendment) 2014.

Norse has national agreements with GMB, Unison and Unite, with each of these unions recognising that Norse is an excellent employer dedicated to nurturing its workforce and developing all of its employees. The joint venture partnership with Norse would be established to support both Councils' objectives relating to staff support, training and development, and meet all of the Councils' requirements relating to equality and diversity.

6.3 Equality and Diversity/Equality Impact Assessment

A Council decision to enter a joint venture partnership would be subject to a full Equalities Impact Assessment.

6.4 Financial Considerations

Pensions

The JV Partnership would have Admitted Body Status to both local government pension schemes.

A pass-through agreement will be required whereby the JV Partnership would only be responsible for current contribution levels at the point of transfer. All responsibility for past and future liabilities would remain with both councils. This is a common and widely accepted approach that occurs in Norse Partnerships with Councils.

Financial Business Case

We are anticipating the fully costed business plan will be provided by Norse by the end of November. This will then be reviewed over the coming weeks to ensure the arrangement is affordable to the Council, in terms of the costs proposed and scope this is based on, and also taking into account the retained client function.

6.5 Legal

Regulation 12 of the Public Contracts Regulations 2015 provides that a public contract awarded by a contracting authority, falls outside the scope of the usual procurement rules . in circumstances where the following conditions apply:

- The local council must exercise control of the company,
- The company must carry out the central part of its activities with the authority (at least 80%),
- There must be no element of private equity,
- And the authorities must have influence over the strategic objectives and significant decisions of the company,

The proposed joint venture company must be established in compliance with the tests above in order for the Council to conduct its activities with the company without the need for a formal tender exercise.

6.6 Climate Change

A joint venture partnership with the Norse Group would deliver current and emerging Council priorities, and as such all relevant priorities that impact on FM services established in the Carbon Reduction plans for both Councils would be deliverable through the JV Partnership.

6.7 Consultation

Consultation with customers, staff and Unions will form part of the process of developing the joint venture partnership.

6.8 Risk Assessment

A project risk register is being developed to guide decision making on this initiative and will inform future Executive and Cabinet Reports.

N.W.Rodgers

Executive Director (Place)

Web Links and Background Papers

AllianceNorse Outline Proposal July 2020.

Contact details

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7. Detail

7.1 In the summer 2020 the Norse Group were asked to put forward a proposal for a joint venture partnership with both the Alliance Councils for the purposes of running the Councils' property repairs and facilities management services, to include:

- Response of maintenance to the Councils' corporate buildings and social housing stock,
- Planned maintenance,
- Improvement works,
- FM services.

7.2 The proposed partnership would provide these services across both High Peak and Staffordshire Moorlands for a contract period of 10 years. The new partnership company would be owned by the Norse Group and the two councils, with the Norse group holding 50% of the shares and each Council holding 25% of the issued shares.

7.3 Such a JV Partnership would offer a wide range of benefits to both Councils, including cost savings and more efficient service delivery, in addition to the sharing of additional revenue as the company expands its operations within the local area. Particular benefits would include:

- The opportunity to grow and develop external revenue streams, leading to increase in profit share to each Council,
- More effective Council control and member influence on the services provided than an outsourcing operation would provide,
- Flexibility in the partnership to respond to changes in the Councils' priorities over time,
- A more commercial approach to service delivery without the risk presented by outsourcing Council services,
- Job security and stability for staff transferred to the JV Partnership who will retain their existing terms and conditions of employment,
- Helping to sustain the local community by keeping profits and jobs in the local area,
- Ensure the planning and delivery of services complement corporate objectives of the Councils,
- Excellent quality environmental and performance management systems used by the Norse group in over 30 local government partnerships across the country,
- Efficient thin client arrangements with direct savings in areas such as procurement, finance and administration,
- Long-term efficiencies, including increased group buying power, and

- Active promotion of learning and development and the well-being of staff.

7.4 Norse propose to use its commercial experience and expertise in sales and marketing to develop external revenue by tendering for a range of contracts with other public and private sector organisations in the local area. With large conurbations such as Stoke-on-Trent, Macclesfield, Derby, Crewe and Stockport within easy reach, Norse anticipate substantial growth in turnover and profits.

7.5 A key part of the stated Norse Group ethos is to help the local community by providing local jobs for those who are not in employment education or training. In addition, the partnership would make a firm commitment to using local SMEs for the purchase of goods and services, as is the case in other Norse JV Partnerships.

7.6 The Norse Group has been pioneering this radical and cost saving approach to delivering public services from frontline services to asset management by joining forces with local authorities to form partnerships for over 15 years. The group now has 30 Teckal compliant JV partnerships, the most recent one being nearby with Amber Valley Borough Council, for waste collection services. In April Norse commenced a joint venture partnership with Uttlesford Council delivering a full range of facilities management services to their corporate estate and social housing which include professional property services, planned and responsive maintenance and improvement works.

7.7 Norse Group JV Partnerships are highly commercial enterprises delivering public services to above agreed standards and constantly scan for new business opportunities in and around the communities they serve to further revenue profits for the partnership. Over the past five years this approach has delivered more than £100 million of public sector savings.

Strategic Context

7.8 The need for local government to deliver significant revenue savings for a number of years now has seen the development of a range of joint venture partnerships with commercial organisations to provide more effective and efficient frontline services. This at a time when public funding is reducing, the public expectations for service delivery are ever increasing. Currently the Covid 19 pandemic is likely to have an impact on the Council's medium-term financial plan which does mean services will continue to need to be as efficient as possible. However, trust and confidence in private sector outsourcing has been significantly eroded with some notable collapses in partnerships in the last few years and there is a clear preference for frontline services to be delivered by local authorities rather than by the private sector. These factors have led Councils to consider bringing services back in house and to look at alternative delivery models such as the one been offered by Norse as a Teckal JV Partnership. The Council has already successfully entered into this type of JV partnership in creating the AES Alliance Environmental Services Ltd.

The JV Partnership Structure

7.9 The JV Partnership with Norse would be co-owned by both Councils and Norse Commercial Services Ltd. Services would be delivered to the Councils on a contractual basis for agreed charges with separate service level agreements setting out specifications, frequencies and key performance indicators, and these will be in place each of the services areas.

7.10 The company would be operated by a Board of Directors made up of senior Council officers and senior Norse employees. In addition to the Board of Directors a Liaison Board would be formed of selected Councillors and stakeholders such as staff representatives and customers to set and review the performance of the partnership.

Profit Share

7.11 All profits generated by the JV Partnership would be shared between the two Councils and Norse. In addition, an annual business plan will be drawn up and any profit discount agreed at the beginning of each financial tax year. This enables the partnership to set clear financial and operational objectives and provide robust budgets for the company.

The annual business plan would:

- Detail the outputs of the company and any agreed key performance indicators,
- Include the overall strategy of the company and how this would assist the Council delivering its strategy,
- Detail the financial and staffing resources required to enable the company to deliver the services and describe any improvements, enhancements or development of services.

Timeline

7.12 Taking into account the impact of COVID-19 the following timeline would see the potential to implement the new arrangements by April 2021.

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Business Growth

7.13 Norse would use its experience and expertise in sales and marketing to develop further external revenue sources by tendering for FM and housing repair service contracts with public and private sector organisations in Staffordshire and Derbyshire and further afield. The company would primarily target social housing providers, other local authorities, education sector, healthcare sector and emergency services sector.

7.14 The JV Partnership will be supported by the Norse Group's central sales and marketing team to grow the business by winning external contracts as well as maintaining developing and improving relationships and existing customers.

7.15 During the implementation period Norse will undertake market research to provide detailed information on the potential market for the JV Partnership. This would inform the business development plans.

Social Value

7.16 One of the key elements of Norse JV Partnerships is their ability to deliver social value in line with a partner Council's specific local objectives, such as:

- Supply chain; using local businesses,
- Apprenticeships; preparing young people for work,
- Tackling exclusion; championing workplace inclusion, helping the disadvantage into work, working with long-term unemployed,
- Project Search; providing opportunities for students with learning disabilities,
- Charitable work; Norse Community Fund, donating to local charities and sponsoring charitable events,
- Sponsorships; funding community conservation arts and civic projects,
- ProHelp; a national pro bono scheme providing staff to carry out pro bono activities,
- Supporting local business,
- Improving communities; Providing free assistance to schools.

