London Borough of Waltham Forest

Report Title	Evolve Norse review
Meeting / Date	Cabinet, 3rd June 2025
Cabinet portfolio	Councillor Ahsan Khan, Deputy Leader (Housing and Regeneration)
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Wards affected	All
Public access	OPEN except for Appendix 1 which is EXEMPT in accordance with Section 100(A-H) of the Local Government Act 1972 and Schedule 12A as amended, on the grounds that it involves the likely disclosure of exempt information as defined in Part 1, paragraph 3, as it contains information relating to the financial or business affairs of any particular person (including the authority holding the information).
Appendices	Appendix 1: Evolve JV future options appraisal and SWOT analysis (EXEMPT).

1. Summary

1.1 Evolve Norse is the property services and built environment joint venture (JV) between the council and the Norse Group. The Norse Group, owned by Norfolk County Council, is England's largest local authority trading company, partnering with 14 councils to deliver services across property, care, waste, street cleansing, and commercial operations. The JV provides technical services to deliver the council's capital programme and manage its schools and corporate estate.

1.2 The most recent incarnation of the JV was established in April 2022 on a five-year arrangement to 2027, with the option to extend for a further five years after this period. It replaced the previous NPS London Ltd. JV, which operated between 2007–2022. Before the Evolve Norse JV enters into the fourth year of the agreement in April 2025, there is a contractual requirement on both partners to provide 24 months' notice to extend or end the arrangement. This is to allow for a structured approach to future planning.

1.3 This report seeks Cabinet's approval of the preferred option, which is to extend the JV for a further five years, via a contract variation, which

seeks to revise the JV's operating structure to improve delivery outcomes and value for money from the services the council receives.

2. Recommendations

2.1 Cabinet is recommended to:

2.1.1 Approve that the council activates its option to extend the JV for a five-year period up to 2032, including a contract variation to remodel the JV, to embed new statutory requirements and service delivery.

2.1.2 Endorse the commencement of activity to enhance Norse Evolve as set out in paragraphs 3.11-3.14.

2.1.3 Delegate Authority to the Corporate Director of Capital Strategy and Delivery, in consultation with the Corporate Director of Governance and Law, to finalise the contract extension and the new legal framework for the JV arrangements.

3. Proposals

3.1 Evolve Norse is the property services and built environment JV between the council and the Norse Group. The JV provides technical services to deliver the council's capital programme and manage its schools and corporate estate (excluding housing).

3.2 Evolve Norse replaced NPS London Ltd. (NPSL) the council's former property services JV with Norse Group (2007–2022). Additionally, the establishment of the JV saw council staff in its former Building Surveying team transfer to the JV via TUPE.

3.3 The Evolve Norse JV was launched in April 2022 on a five-year arrangement to 2027, with the option to extend for a further five years after this period.

3.4 The structure of the JV sees the council retain an element of direct control (20% share) in the venture and benefit from a 50% share of any annual gross financial surplus generated from the trading activities of Evolve Norse. Additionally, any annual financial operating loss the company makes is absorbed by the Norse Group and not the council. The company Board is made up of three Norse Group representatives and two council representatives.

3.5 The current contractual arrangements for Norse Evolve provide a requirement from both the council and Norse Group to provide 24 months' notice (by 30 September 2024) to extend or end the JV. Should the JV end, the 24-month period ensures an orderly wind down of operations for both parties.

3.6 The success of the JV is reliant on a healthy pipeline of capital and property works from the council. At the time of the JV reset in 2022, the council was expanding its capital programme and pipeline of future works. However, over the past 24 months, challenges to local government finances and increasing construction costs have seen the council actively contract its capital programme. The Norse Group sees this as a key risk to ensuring Evolve is a commercially successful business, whilst recognising the national nature of these issues, which is resulting in similar risks around many of its JVs. A remodel of the JV will consider how they can support the delivery of new council initiatives, such as the emerging Asset Transformation Programme, which seeks to maximise the value and use of the council's estate for service delivery and to support financial sustainability.

3.7 On this basis, the council has undertaken a formal review of the Norse Evolve, assessing the implications of extending the current contractual arrangements, and of remodelling or ending the JV. For each option financial, service delivery, legal and risk implications have been considered.

3.8 Due to the service, legal and financial risks and implications to the council, exiting and remodelling the JV have been discounted. The risks and implications are set out in Appendix 1.

3.9 Extending the JV for a further 5 years provides the council, with delivery continuity alongside minimal legal and financial risk. Both the council and Norse Group recognise the opportunity to enhance JV to consider new legislation, including the recent Procurement and Building Safety Acts. The is also the recognition of the opportunity to improve service delivery, as such it is expected that new contractual arrangements will include variations which enable improvements to be delivered.

3.10 On this basis, the council and Norse Group will implement a structured 18-month programme to refine its operating model ensuring that the JV continues to deliver high-quality and cost-effective services.

Pipeline of Work Review

3.11 As part of the creation of Evolve Norse, a new operating model was established. In addition to providing in-house services, a commissioning function was created to provide a direct route to market and the wider skills available within the Norse Group. The JV has also retained longstanding exclusivity clauses, which sees the council route relevant work via the JV in the first instance, where appropriate.

3.12 However, due to the current financial climate, the reduction in the council's capital programme and future pipeline is likely to continue to reduce. The review will also consider how JV is branded, so it positions itself to maximise the 20% of works it can do externally to maximise profitability and make use of the JVs 'Teckal' obligations and make sure of potential works outside of the JV's direct scope.

Operating Model and Future Approach

3.13 Should Cabinet approve of the recommended approach to extend the JV under contractual amendments, it is recommended that an 18-month programme of works is established in summer 2025 involving both senior council officers and Evolve senior leads, with the Corporate Director of Capital Strategy and Delivery acting as senior responsible owner (SRO), and activity jointly project managed via an appropriate council and Evolve lead. This will be in addition to day-to-day contract management to performance manage the outcomes of the JV

3.14 Alongside the contractual changes, the review has also recommended several contract management actions, which will be implemented with immediate effect to improve performance management and delivery outcomes more robustly, this includes:

- Improvements to quality assurance processes.
- A review of fees structures and charges to ensure the JV continues to deliver value for money.
- Clear and joint succession planning for Evolve.
- Strengthening operational risk management programmes.
- More proactive exploration of external income opportunities for the JV.

4. Options & Alternatives Considered

4.1 As part of the review, four strategic options were considered by the council. Ending the JV was discounted due to the financial impact to the council and complexity of the transition, which would place additional strain on council resources.

4.2 Revising the contractual terms to remove exclusivity and introduce full competition was not supported by the JV partner and presented significant delivery and commercial risks. Continuing under existing arrangements would not address performance challenges and legislative changes during the review.

4.3 The preferred option, to extend the JV with targeted contractual amendments provides stability to the council with improved delivery and responsiveness to the Council's current financial context.

5. Council Strategic Priorities (and other National or Local Policies or Strategies)

5.1 Evolve Norse is a key delivery agent for the council's Capital Investment Strategy, with a particular focus on the Schools Capital Delivery Programme, which aligns to the priorities established in Mission Waltham Forest.

6. Consultation

6.1 The council's senior officers who commission services and works from Evolve and Legal Services have been actively engaged in the review process and briefed on key findings and proposed amendments.

6.2 The council has collaborated with Evolve Norse senior leadership team to make a joint contractual decision regarding the future amendments to the JV.

6.3 The Strategic Director of Resources, Corporate Director of Financial Services and Acting Strategic Director of Place have been consulted on the options and proposals.

6.4 The appropriate Cabinet members have been engaged on the options and proposals.

7. Implications

7.1 Finance, Value for Money and Risk

7.1.1 The financial implications have been a key consideration in the review of the Evolve Norse JV. The preferred option to extend the JV with a contract amendment would result in no additional costs to the council. The council will also retain a 50% share of any annual financial surplus generated from the trading activities of Evolve Norse, with any loss the company makes absorbed by the Norse Group and not the council.

7.2 Legal

7.2.1 As part of the JV arrangements the Council and Norse Consulting Group Limited entered into a Shareholders Agreement and the Council and Evolve entered into a Service Agreement.

7.2.2 As set out in the report the Service Agreement contains the option for the agreement to be extended and requires that the Council give a set period of notice to either extend or terminate the agreement.

7.2.3 The Service Agreement also requires that the council shall pay one hundred percent of the redundancy costs reasonably and properly incurred by the Evolve where the redundancies have occurred as a result of the fragmentation or other material change in the scope of the Services by the council on or prior to the termination of the Service Agreement. The council will pay fifty percent of any redundancy costs in all other cases.

7.3 Equalities and Diversity

7.3.1 The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

7.3.2 An Equalities Impact Assessment is not required in relation to this report, as no new policy changes or initiatives are proposed.

7.3.3 The JV, rather than the council, is responsible for managing all equality, diversity and inclusion matters pertaining to Evolve Norse employees.

7.4 Sustainability (including climate change, health, crime and disorder)

7.4.1 From 2022/23, Evolve Norse are supporting the council as a partner in a net zero business and have consequently reduced their carbon usage by 48% – from 5.54 to 2.88 tonnes – between 22/23 and 23/24, due to their office relocation to Fellowship Square and by staff working remotely.

7.4.2 In addition, Evolve Norse provided a phased retrofit plan at Belmont Park School to cut over 1,300 tonnes of carbon missions whilst extending the life of the school building.

7.4.3 This also included works for Greenleaf as a primary pilot which used an integrated fabric-first approach which identified cost-effective decarbonisation measures which is now scaling across the borough's schools.

7.4.4 As part of the company's commitment to social value for 2024/25, Evolve Norse will be seeking to continue to support local learners to understand how building and design is tackling climate emergency with local workshops, promote STEM (Science, technology, engineering, and mathematics) careers in engineering as well providing broader education-based programmes on the built environment to the council's education colleagues.

7.4.5 While the decision itself does not have direct health implications, Evolve Norse's social value work outlined above will help support Marmot ambitions to tackle health inequalities relating to the social determinants of health, for example by supporting residents access good quality employment in STEM and built environment professions. Good quality employment is one of the building blocks of good health, and improving access to it is a powerful way of reducing health inequalities.

7.5 Council Infrastructure

7.5.1 Evolve Norse has made significant strides in sustainability, achieving a notable 48% reduction in carbon usage over the past year. This progress is largely attributed to strategic actions such as relocating offices to Fellowship Square, implementing hybrid working policies, and adopting a project-level management approach to sustainability considerations. The company will continue to focus on further reducing emissions and embedding sustainable practices across all operations.

7.5.2 Sustainability performance is assessed and reported annually, using key performance indicators (KPIs) to measure progress toward the organisations net zero ambitions. These KPIs provide a structured framework to track reductions in carbon emissions and ensures alignment with the Council's broader sustainability objectives.

7.5.3 Under the Evolve JV the Norse Group maintains all responsibility for human resources and staffing.

7.5.4 If the JV were to be terminated, TUPE transfer would apply to all staff directly employed by Evolve Norse.

Background Information (as defined by Local Government (Access to Information) Act 1985)

None.