

**Motion to:** Council

30 January 2024

**Subject:** Norwich City Council's wholly owned companies

**Proposer:** Councillor Osborn

**Seconder:** Councillor Catt

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The council's wholly owned company NCSL delivers two sets of services for the council: maintenance and repairs services for council owned properties such as council housing and environmental services, including street cleaning and maintaining council owned land (e.g. communal land on council estates). The council contracts NCSL as a private company to carry out these maintenance and repairs works, meaning that the staff who do the work are not council employees but are employees of the private company, which has its own management and directors. Because the services are delivered by the company, any changes to the service are not directly within the council's control but instead must involve changes to the contracts and negotiation with the company.

Recent papers presented to council committees including Cabinet and Audit have shown that there has been a persistent problem with the wholly-owned company NCSL not carrying out work to the standards expected by the council and residents. For example, the Housing Revenue Account (HRA) Business Plan and HRA Budget 2024/25 presented to Cabinet on 13 December 2023 states: "Following the Repairs and Maintenance Services transfer from Norwich Norse Building Ltd to Norwich City Services Ltd (NCSL) in April 2022, there have been a number of operational challenges impacting on the delivery of the service. ... In relation to repairs and maintenance at the end of quarter 2 customer satisfaction has slipped from 69% [...] to 67.5%".

Minutes from the cabinet meeting on the 15th of November 2023 summarising parts of the discussion of the Corporate Performance Report for Quarter 2, 2023/24 state: 'Councillor Galvin referred to KPI 26, noting that the number of complaints responded to within 10 days dropped by 10 per cent this quarter, whilst the total volume of complaints had increased by 5 per cent, and asked which services were unable to achieve their targets. The Interim Head of Housing and Community Safety said that the two principal drivers for complaints were in Property Services relating to the wider issues of contract delivery by Norwich City Services Ltd and Environmental Services.' These indicators reflect residents' and tenants' dissatisfaction with the services delivered by NCSL. The city council's Annual Governance Statement 2022-23, considered at the Audit Committee in July and November 2023, notes that "Over the past year, as has been reflected in performance reports, NCS[L] have experienced challenges in delivering service improvement" and acknowledged that there have been "significant governance issues" (including the resignation of all previous board members) relating to the wholly-owned company NCSL. Overall

these statements indicate that the arrangements to manage these essential services via NCSL as a wholly-owned company and contractor have thus far failed to deliver the service improvements that are required.

Among other councils and public services, there is growing recognition that bringing services fully back in house is an effective way to improve terms and conditions for workers as well as directly improving service delivery for residents and tenants. The Association for Public Service Excellence's report "Insourcing: A guide to bringing local authority services back in house" states that "research shows insourcing is happening for practical reasons as opposed to any ideological stance" and that "councils are finding insourcing a realistic service delivery option that can: ensure service continuity, address issues of poor performance; build flexibility and integration into the service delivery chain; and provide more accountable local services." UNISON's "Bringing Services Home" campaign sets out the benefits of insourcing including: better terms & conditions, better public services, better accountability, better investment, better equality at work, and better union recognition.

Council notes that:

- 1) There is a growing movement amongst councils to bring services back in house, with many councils having reaped benefits - for example: Southwark Borough Council, Islington Borough Council, Maidstone Borough Council, Exeter City Council, and others.
- 2) Evidence from The Association for Public Service Excellence suggests that insourcing environmental and property services, if well-managed, could deliver improvements in performance, accountability, and resident satisfaction.
- 3) The current Teckal rules that apply to NCSL restrict the profit that the company can make by selling services to clients other than the council to 20% of total profit, but fully in-house services would not be subject to the same restriction and so could in theory deliver higher levels of income for the council.
- 4) Insourcing NCSL would result in an immediate requirement for all workers to be put onto a local government pension scheme (LGPS), which could result in cost increases for the council. However, insourcing will also result in significant cost savings. These cost savings could be achieved through reducing the need for senior management positions in the company when this management could be provided by existing council management, as well as removing the need to pay board members who have been brought in on temporary contracts to manage the private company. In addition, allowing the company direct access to support services such as HR and IT (rather than requiring a service-level agreement) may also result in further significant savings, as will a reduction in staff time required to oversee coordination between the council and the wholly owned company (including contract management, oversight management and the shareholder panel).

- 5) Bringing all NCSL workers inhouse and placing them on the LGPS would mean there is no longer a two-tier workforce in relation to pensions and therefore improve the terms and conditions for some of the lowest-paid workers who do the work that residents rely on Norwich City Council to carry out.

Council **RESOLVES** to:

- 6) Recognise and express thanks for the hard work of NCSL employees, committed to deliver essential front line services for the council.
- 7) Recognise the expertise and express thanks for the hard work of current NCSL board members, committed to supporting the council in finding ways to improve service delivery.
- 8) Ask Cabinet to prepare an options appraisal for the future of NCSL, which should include a business case for bringing services currently delivered by NCSL back in house so that the council can deliver its own environmental and building maintenance services. The business plan should build on the options appraisals presented to cabinet in ahead of the creation of NCSL and include all relevant evidence emerging from delivering services under the current business model (e.g. financial implications, performance, risks and opportunities, lessons learnt). The business case should further include a clear outline of anticipated costs and savings, outline benefits to the workforce and draw on recent publications to highlight how a direct service delivery may improve service quality.
- 9) Ask Cabinet to discuss the business case for bringing services delivered by NCSL back in house as part of an options appraisal for the future of NCSL at the next available opportunity.
- 10) Ask Cabinet to immediately establish regular meetings with Unite, Unison and any other relevant unions to discuss the potential for bringing services delivered by NCSL back in house as well as other options considered in the options appraisal.
- 11) Ask Cabinet to consider producing a business case for an insourcing by default policy, which could also cover the council's other wholly-owned companies, where this represents best value, and to consult on such a policy.