

Report to Cabinet
14 April 2021
Report of Executive Director Corporate and Commercial Services
Subject Norwich City Services Business Plan

Item

6

KEY DECISION

Purpose

Following the approval of delegations to award the Environmental services contract to NCSL at January 2021 cabinet meeting, the company has approved an initial business plan for cabinet consideration, including the pension pooling arrangements for qualifying staff.

Cabinet is asked to consider the Norwich City Services Business (NCSL) Plan 2021-24 that the company is required to produce under its articles of association

Recommendations

Cabinet is asked to:

- 1) Approve the initial NCSL Business Plan for the period 2021-24, noting the company and the council through the Shareholder Panel will collectively monitor performance; and
- 2) Approve that the council enters into a pooling agreement to manage any longer-term pension risks, subject to agreement with Norfolk Pension Fund on the terms of such an agreement and specifically the contribution rates in the short term.

Corporate and service priorities

The intention of the change from Norse Group provision of services to the provision through a wholly owned company is towards an aim for greater control, flexibility and closeness with service delivery.

In the main, the NCSL Business Plan will help to meet the corporate priority of Great neighbourhoods, housing and environment

Financial implications

The estimated turnover for the company in year 1 is £6.606m increasing to £18.419m by year 3 of the business plan. Full details of the financial projections are detailed within the below the line paper which incorporates the full business plan approved by the company board. The business plan continues to provide assurance that the company will achieve a profit from year 2 onwards.

Given the unknowns previously reported to cabinet in relation to Phase 2, the building repairs financial projections for years 2 and 3 have not been refreshed and are based on the target operating model prepared in June 2020.

The financials will be updated and incorporated into the 2022/23 business plan which will encompass more detail on potential operational efficiencies, new business opportunities as well as the knowledge gained through the implementation of Phase 2 of the service offer.

Ward/s: All Wards

Cabinet member: Councillor Maguire - Safe and sustainable city environment

Contact officers

Annabel Scholes, Executive Director of Finance &
Resources

01603 989201

Background documents

1. NCSL Business Plan

1. Background

- 1.1 Norwich City Council took the decision to create a wholly owned company for the delivery of environment and building maintenance services on 13 June 2018.
- 1.2 Following this decision, updates have been provided to Cabinet, resulting in the formation of Norwich City Services Ltd (NCSL) as a wholly owned company of the council, which was incorporated on 9 June 2020.
- 1.3 There are therefore two distinct phases for the company start-up being the transfer of:
 - environment services on the 1st April 2021 – now complete
 - building services on the 1st April 2022 – Phase 2
- 1.4 An estimated 360 employees will be employed by the company split down by:
 - Norwich Norse Environmental Limited – 200 employees
 - Norwich Norse Building Limited – 160 employees
 - NCSL Leadership and support services – 7 employees
- 1.5 The services undertaken by Environmental services include grounds maintenance, streets cleansing, parks and open spaces maintenance, arboriculture services, pest control, stray dog service, building cleansing, car park cleansing and other associated works.
- 1.6 The services undertaken by Building Maintenance are mainly focused around the provision of a reactive maintenance service for Norwich City Council's housing stock. Services include routine repairs and maintenance, major and minor repairs, voids and heating repairs. A reactive and responsive service will also be provided for commercial properties owned by Norwich City Council.

2. Strategic Objectives

- 2.1 The key aim for NCSL in Year 1 is to achieve a smooth transfer of services into the company with minimal possible disruption to services.
- 2.2 NCSL's main objectives for Year 1 are to:
 - deliver quality services efficiently and effectively
 - implement improvements to service delivery whilst maintaining and increasing service quality
 - robustly plan for the effective transfer of the Building Maintenance service and employees in April 2022.
 - ensure that employees are motivated, engaged and well supported within their roles
 - Support Norwich City Council in achieving the Norwich 2040 Vision which encompasses five themes of: A fair city, A creative city, A connected city, A liveable city, A dynamic city.

- 2.3 Support services including HR, Procurement, IT, and Finance, are provided by the Council through an agreed contract.

3. People Strategy

- 3.1 The NCSL Board and executive team have a clear goal to be an exemplar employer in the context of the market the NCSL is operating in and what best meets the needs of the business going forward, including affordability.
- 3.2 As part of this NCSL is committed to meaningful engagement with its employees and to working in partnership with the trade unions as employee representatives. In the first year of business NCSL will develop a route map for improvement of terms and conditions. The achievement of this will be dependent on affordability and of course the overall performance of the company will play a significant part in that.
- 3.3 NCSL benefit from a TUPE transfer situation and having an experienced team who have extensive experience in services delivery. NCSL's ambition is to increase workforce diversity and aims to include actions and an approach to this as part of the developing value and people strategy.
- 3.4 Part of the developing Corporate Social Responsibility (CSR) approach will see support to work placements and work experience across the service areas, this will include opportunities for involvement in the governments kick-start programme and care leaver's placements.

4. Learning and development

- 4.1 A comprehensive programme and learning and development strategy will be created during Year 1. A mix of internal and external training will be utilised in order to cover training requirements throughout the company. NSCL will explore the opportunities available to utilise the online training development system in place with Norwich City Council or to develop a standalone system.
- 4.2 NCSL will maximise use of the apprenticeship levy and explore opportunities to leverage the value of this to the company and employees. Investment will be made in learning and development that will include exploring opportunities for career progression.

5. Strategy and development plan

- 5.1 NCSL recognises the budgetary pressures faced by the Council and the negative financial starting point for the company and recognises that income generation from external sources will be a key factor in supporting and supplementing the company's future revenue sources.
- 5.2 NCSL will develop a 3-year business development and marketing strategy in preparation and in alignment with the 2022/23 business plan. This will be prioritised on the opportunities available for the environmental services and recognising that the first years of transfer for Building Maintenance will very much focus on service delivery standards and development.

6. Governance - NCSL Board

- 6.1 The company is led by a Board of Directors appointed by the shareholders as shown in the Table below:

NCSL Board Independent Chair and Director	Anne Gibson
Non-Executive Director – Independent	Anna Graves
Non-Executive Director – Councillor	Matthew Fulton-McAlister
Non-Executive Director – Councillor	Cate Oliver
Executive Director – Managing Director	Hannah Leys

- 6.2 The core duties of the NCSL Board are to:

- Ensure that its obligations to the company's shareholders are understood and met
- Ensure the necessary financial and human resources are in place to achieve the company objectives and business plan
- Make decisions in the best interests of the company
- Ensure financial sustainability
- Set and deliver the strategic direction
- Challenge and ensure best value is achieved
- Use expertise and an entrepreneurial approach to develop the business
- Support the development of the workforce
- Ensure all legal and regulatory requirements are adhered to including Teckal

7. Contract Management

- 7.1 Contract Management meetings will be in place with Norwich City Council to review, approve and monitor:

- Operational issues with the contract
- Performance development against the development plan
- Performance of the Company against the Business Plan objectives
- Achievement of the agreed performance Indicators

- 7.2 Performance will be assessed by the Board and the Shareholder against a range of information:

- Key deliverables
- Operational performance through measures contained within the Performance Scorecard
- Financial report setting out the financial performance during the year

8. Pensions

- 8.1 Under the Best Value Authorities Staff Transfers (Pensions Direction) 2007, transferring employees who are currently in the Local Government Pension Scheme (LGPS) retain that right and transfer under TUPE with the same pension benefit.

- 8.2 As a wholly owned subsidiary of Norwich City Council, Norfolk Pension Fund has agreed that NCSL will gain access to the LGPS under Schedule 2 Part 2 of the LGPS Regulations 2013. This allows an employer controlled by a public body to be included as scheme employers and means they do not need to seek Admitted Body status. This will require a Resolution of NCSL Board.
- 8.3 An admitted body with a service contract would pay a rate fixed for the life of the contract. The company rate is variable and may be higher or lower at future valuations. The next valuation takes place in 2022 for implementation from April 2023.
- 8.4 The council is required to guarantee NCSL's access to the fund. When NCSL ceases to have active participation in the Fund the Fund Actuary will conduct a final cessation assessment. Any exit costs would be paid by the council. In the unlikely event of an exit credit, the terms of the contract with NCSL are that this would be returned to the council.
- 8.5 With the agreement of Norfolk Pension Fund, it may be possible to have a pooling arrangement. The effect of this is that NCSL's pension assets and liabilities would be pooled with those of the council. The key benefit of a pooling agreement is it helps to manage the risk of a large exit deficit associated with NCSL's access to the fund and volatility in employer contribution rates. NCSL's exposure would be spread across the wider Norwich pool rather than being calculated on a small and reducing number of members and a potentially limited period of admission. There would be limitations on what we would be pooling as the scheme would be closed to new members. Generally, a pooling agreement would result in a common contribution rate.
- 8.6 The council, in its commercial arrangement with Norse, currently underwrites the pension risk of Norwich Norse. Materially, pooling will replicate this arrangement for the new company.

9. Conclusion

- 9.1 NCSL have developed an initial three-year Business Plan. The business plan shows the transition from the initial year of environmental services through to the building maintenance services go-live and provides assurance that the company will achieve a profit from year 2 onwards.
- 9.2 There is clear reference within the business plan of good governance, operational awareness and prioritisation of key deliverables for the business in its first years of operation.

Integrated impact assessment



NORWICH
City Council

The IIA should assess **the impact of the recommendation** being made by the report

Detailed guidance to help with the completion of the assessment can be found [here](#). Delete this row after completion

Report author to complete

Committee:	Cabinet
Committee date:	14 th April 2021
Director / Head of service	Andy Summers
Report subject:	NCSL Business Plan 2021-24
Date assessed:	31 st March 2021

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Other departments and services e.g. office facilities, customer contact	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
ICT services	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Economic development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Financial inclusion	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Safeguarding children and adults	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<u>S17 crime and disorder act 1998</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Human Rights Act 1998	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Health and well being	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

	Impact			
Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Eliminating discrimination & harassment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Advancing equality of opportunity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Natural and built environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Waste minimisation & resource use	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Pollution	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Sustainable procurement	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Energy and climate change	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Risk management	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

Recommendations from impact assessment
Positive
Continue with the introduction of electric vehicles within the fleet and with solar powering for the Hurricane Way depot.
Negative
Neutral
Issues