



NORWICH City Council

Committee Name: Cabinet

Committee Date: 08/09/2021

Report Title: The transfer of building repairs and maintenance services to Norwich City Services Ltd, and property services to Norwich City Council

Portfolio:	Cllr Harris deputy leader and member for social housing Cllr Kendrick Cabinet member for resources
Report from:	Executive director of community services
Wards:	All

Purpose

1. To provide Members with an update in relation to the progress of project place phase 2 which includes the transfer of building repairs and maintenance services to Norwich City Services Limited (NCSL), and the transfer of asset management services directly back to the Norwich City Council (NCC) by April 2022.
2. To seek approval for use of earmarked reserves to fund additional revenue cost requirements to support the successful delivery of the programme which is overseeing the transfer, and the reprofiling of the capital budget between financial years.
3. To provide information on the emerging repairs and maintenance operating model which will transfer to NCSL and the approach to the transfer of asset management services directly back to the council.

Recommendation:

4. That Cabinet approve the utilisation of earmarked invest-to save reserves to fund additional revenue investment of £747,000 to support delivery of project place phase 2 (£149,000 from the general fund reserve and £598,000 from the HRA reserve). The details as described in this report under financial implications.

5. That Cabinet approves the reprofiling of the existing capital budget between financial years, increasing the 2021/22 capital programme by £262,000 and reducing the 2022/23 programme by the same value. The details as described in this report under financial implications.

Policy Framework

6. The Council has three corporate priorities, which are:
 - a. People living well
 - b. Great neighbourhoods, housing and environment
 - c. Inclusive economy
7. This report meets the “Great neighbourhoods, housing and environment” corporate priority
8. This report addresses “Good quality housing” strategic action in the Corporate Plan
9. This report helps to meet the following themes “Modernising the Council; reimagining local services and Housing, regeneration and development” within the COVID-19 Recovery Plan

Report Details

Background

10. In June 2020, Cabinet approved a business case for the transfer of council services which are currently delivered through joint venture arrangements between NCC and Norse. The following benefits were outlined:
 - Greater direct influence and control over how services are provided.
 - The opportunity to refresh the specification of services provided – current specifications have not been updated since the start of the contracts and need to be updated to reflect current local, political, financial and environmental changes
 - Bringing the property services back into the council effectively removes a layer of middle management processes between the council and the building maintenance service which should enable better integration with housing services provided by the council.
 - The opportunity to integrate with the council more effectively to provide a more seamless service to customers and users of services.
 - The opportunity for reduced costs when systems have been condensed and integrated – spreading costs across a wider base and increased buying power across the council.

- The ability to focus and link delivery to Norwich's strategic priorities.
 - Simpler governance arrangements enabling more direct oversight and management of performance and service quality.
 - Aligned priorities, infrastructure and values to enable strong working relationships, greater accountability and better communication which should improve employee and customer experience.
11. Following the incorporation of NCSL and appointment of the managing director and the board, environmental services were successfully transferred to NCSL in April 2021 under phase 1 of Project Place.
12. Phase 2 of Project Place has commenced, which is overseeing the transfer of building repairs and maintenance services (currently provided by Norwich Norse Building Ltd) to NCSL, and the transfer of property management services (currently provided by Norfolk Property Services Norwich) directly back to NCC by 1st April 2022.
13. Incorporating the learning from phase 1, the resource and investment requirements for the delivery of phase 2 of the transfer – which is significantly more complex than phase 1 - have been reviewed.
- Phase 2 of the transfer is assisted by NCSL and the associated supporting services are already in place (HR, finance, ICT) but the services being transferred in this phase are more varied and complex in their nature than those transferred in phase 1.
 - Current service delivery is underpinned by a range of IT systems, processes, and suppliers/contractors across two currently separate organisations. In addition, the repairs and maintenance and asset management services are being transferred separately back to NCC and NCSL which requires two different approaches to delivery models, structures, supporting systems and processes.
 - A significant and higher number of projects are required to ensure that vehicles, suppliers, contractor arrangements and preparation for the workforce are all in place in advance of transfer dates.
14. As a result of the review of phase 1:
- Preparation work for phase 2 has been divided into four workstreams: within each workstream are a series of projects, with project leads reporting monthly on progress.
 - The Project Place Board which includes exec directors, managing director NCSL and programme leads meets monthly to approve key decisions, monitor and agree risk mitigations and allocate resources.
 - Scheduled monthly strategic meetings between NPSN, NNBL and NCC are in place to oversee the strategic approach to the transfer.

- Formal consultation with transferring NNBL and NPSN employees will be conducted by Norse in accordance with TUPE regulations. Norse have advised that this will commence in January 2022. Joint meetings with the trade unions are planned to start in the autumn and engagement with the employees affected has already commenced and will continue to the point of transfer.
- Employing additional skilled people, recruiting experts into technical roles, purchase of IT hardware and software, property and equipment have all been identified as critical in being able to deliver effective services for residents and tenants.
- Employing additional project managers as a risk to the delivery of some NCC day-to-day services and delay to priority projects has been identified if officers working within these areas are wholly seconded to support phase 2 or asked to support phase 2 in addition to existing workloads.

Emerging building repairs & maintenance operating model

15. Currently, building repairs and maintenance services are delivered by NNBL. The contract includes delivery of the following services: minor repairs; major repairs; refurbishment of empty properties (voids); damp repairs; whole house improvements and major and minor adaptations for disabled residents. NNBL also, undertake some compliance works as part of the contractual arrangements.
16. That range of services delivered will remain the same at the point of transition to NCSL. However, bringing these services under direct control of the council will provide greater opportunities to generate efficiencies and improve quality.
17. It was originally intended that building services would be delivered as they are until fully embedded into NCSL, with the services essentially 'lifted and shifted' across from NNBL to NCSL. However, it is clear the current services provided under the NNBL joint venture arrangement with Norse require improvement to achieve expected and demonstrable levels of contractual performance upon transfer to NCSL.
18. As such, repairs and maintenance and property expertise has been recruited by NCC to support both the development of an entirely new operating model and to oversee the improvement of existing services. The focus is on improving the current service performance to mitigate against NCSL inheriting backlogs and legacy performance issues, and on access to, and transfer of information (data) to understand current services and therefore future operating model requirements and costs. The investment requirement outlined in this report will be critical to the successful transition.
19. It is important to be clear that this improvement is expected to take at least 2 years, with the transfer of services to NCSL being an important milestone in a longer-term programme of service improvement.

20. The new model will be shaped in consultation with NCC tenants throughout the autumn to understand their priorities and aspirations for the service.
21. The current annual contract value for the services described in paragraph 1 totals £11m. It is anticipated that with investment in IT (Northgate Housing Management), mobile working solutions, technology, systems and processes opportunity for efficiencies will result in savings over time against current contract costs. The full, detailed proposed operating model will be presented to Cabinet for approval later this year.
22. To support future efficiencies following transfer to NCSL, a two-year improvement plan (2022 – 2024) will be developed.

Emerging asset management model

23. Asset management services are currently delivered by NPS Norwich Ltd (NPSN). The services provided include management of the council's commercial property portfolio including lease management, condition surveys, rent reviews, acquisition, and disposal. Facilities management of NCC main corporate buildings, health, safety and compliance management of housing and non-housing properties, contract administration of the NNBL contract, stock condition surveying and reporting, capital programme planning and delivery.
24. Given the specialist nature of this work and the requirement to manage significant projects, both in terms of value and scope, the majority of this work is outsourced to specialist contractors for example, major structural work/ geothermal heating solutions.
25. As these are primarily strategic property services rather than operational delivery, these services will be transferred directly back to NCC in April 2022 rather than to NCSL.
26. The delivery model, including the housing asset strategy, function, organisational structure and directorate reporting line will be developed and presented to Cabinet for approval later this year. The new model will be consistent with the new council directorate structure which was implemented in April this year.
27. Consultation with NPSN colleagues on the delivery model will take place during the Autumn. Formal TUPE consultation is described and will start in January 2022. The detailed delivery model will be presented to Cabinet for approval later this year.

Northgate housing management

28. The successful start-up and integration of the Northgate system is at the heart of the housing and repairs transformation. Both the new property management service and the repairs and maintenance services will rely on the effective running of this system.

29. The introduction of the Northgate housing management system creates the opportunity to significantly improve the existing housing maintenance process and importantly, a vastly improved customer user experience.
30. In addition, the new system is a fully integrated, modular, housing management system that will support the phase 2 transfer of services including, repairs scheduling and functionality for a range of property and asset and compliance functions.

The benefits include:-

- The rationalisation of a number current disparate systems, which reduces risks to data integrity and reduces the administration of data
- Greater integration across all housing management services meaning a more effective, joined up approach across the housing services
- Greater security, control and management of housing-related data
- More effective performance reporting and management information enabling a more proactive approach to managing the service
- Delivers more streamlined, automated end-to-end service for customers. Customers will be able to book services and repairs online and track progress – making it a more convenient service and more cost effective for the council.

Consultation

31. **Members:** Consultation with members has been a feature of the transfer since the early options appraisals were shared in 2018. Consultation has taken place before the September Cabinet meeting with the cross-party Joint Venture Working Group.
32. **Trade Unions & Workforce:** Joint monthly meetings between Norse, NCC and the trade unions will commence in September 2021. These will increase to fortnightly meetings in January 2022 when formal consultation commences.
33. **Workforce:** At the time of publication, workforce engagement meetings with transferring NNBL employees are being arranged as the start of a series commencing in September 2021. An initial meeting has been held with employees that will transfer from NPSN. These will continue throughout the year up until and after the transfer.
34. The formal consultation with the transferring workforce will be carried out by Norse in accordance with TUPE regulations and this is due to commence in January 2022.
35. **Tenants and leaseholders:** Formal consultation has been undertaken with tenants and leaseholders, in line with our statutory obligations, through the following channels, Tenant Panel, Tenant & Leaseholder Magazine, Citizens Magazine. Clarifying questions have been, but there

has been no substantive feedback has been received through consultation feedback channels to date.

36. Further consultation with leaseholders will be completed to ensure compliance with Section 20. Beyond the statutory responsibilities, tenant and leaseholders will be consulted with to better understand their priorities and how they can be met within the new services. Implications

Implications

Financial and Resources

37. Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2019-22 and Budget.

Transition Revenue Requirements

38. The business case approved by Cabinet in June 2020, detailed an estimated revenue transition budget requirement of £2.1m to be funded from the council's invest-to-save reserves. The funding was split on a 60/40 basis between the HRA and the General Fund earmarked reserves in line with the contractual spend with the joint ventures. A further £0.1m was subsequently drawn down from earmarked reserves to support the preliminary works on the new depot.
39. As the project has progressed requirements and estimates have been further refined. A review has been completed to update the cost estimates for the remainder of phase 2. All workstream leads have provided updated financial requirements which have then been reviewed and challenged by finance, the project team and Project Place Board.
40. The review has identified required revenue costs of £1.504m in 2021/22 and £44,000 in 2022/23. Compared to the remaining transition budget of £801,000, this is an additional budget requirement of £703,000 in 2021/22 and £44,000 in 2022/23 (Table 1).
41. The key areas of additional revenue costs relate to project resource. These additional resources will support the project through to March 2022 in areas including general IT, Northgate system IT and building maintenance. The requirements also include recruiting business as usual employees, such as the Operations Director, in advance of the transfer date to facilitate the transition. These roles will transfer into BAU from 1 April 2022. Additional costs have also been identified in relation to PPE, IT licences, testing and training as more information has become available.

Table 1

Budget vs Forecasted Revenue

Description	2021/22 Forecast (£m)	2022/23 Forecast (£m)
Resource and Recruitment	1.292	0.044
Northgate, E5 & iTrent, Vehicle Security and Lease	0.080	
Buildings and Property Maintenance (PPE, Licences)	0.132	
Total	1.504	0.044
Current Budget	0.801	£0
Variance to Budget	(0.703)	(0.044)
2021-23 Variance to Budget	(0.747)	

42. As the additional transition costs identified are related to the transfer of the building repairs and property management functions, the costs are proposed to be funded on an 80/20 basis between the HRA and the General Fund earmarked reserves in line with the relevant contractual spend for the services. This equates to £0.149m from the general fund invest to save reserve and £0.598m from the HRA reserve. These costs can be met from within the available reserve balances per Table 2.

43.

Table 2

	GF invest-to- save reserve (£m)	HRA invest-to- save reserve (£m)
Opening balance – April 2021	2.513	1.772
Existing Project Place commitment	0.320	0.481
Other approved commitments	0.159	0.034
Additional Project Place commitment	0.149	0.598
Remaining unallocated balance	1.885	0.659

Transition Capital Requirements

44. In June 2020 Council approved a £1.271m budget for IT, tools and equipment, with recharges made to the company over the useful life of the assets. In January 2021 Cabinet approved the reprofiling of £0.066m from 2021-22 to 2020-21 (Table 3). The actual costs in 2020/21 were £0.430m which was £0.095m higher than budget as a result of IT costs being incurred ahead of the budget profile.

45. The capital budget was profiled across a three-year period in line with initial estimates. As the project has progressed, it has been confirmed that there are additional capital requirements in 2021/22 which are required ahead of the phase 2 transfer of services in April 2022.

46. Cabinet is therefore recommended to approve the reprofiling of capital spend between financial years, increasing the 2021/22 capital programme by £0.262m and reducing the 2022/23 programme by the

same value. The overall capital requirement for the transfer remains within the £1.271m approved by Council in June 2020.

47. Given the overall programme costs remain at the original £1.271m approved by Full Council in July 2020 the reprofiling is in line with existing budget approvals.

Table 3: Capital Budget by Year

Capital Budget	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)	Total (£m)
Original budget profile	0.269	0.74	0.262	1.271
Revised budget profile (Jan 2021)	0.335	0.674	0.262	1.271
Proposed budget profile (Aug 2021)	0.430 (actual)	0.841	0	1.271

Table 4: Proposed budget profile by asset type

	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)	Total (£m)
	Actual	Budget	Budget	
Hardware – end user	0.106	0.246	0	0.352
Software	0.125	0.275	0	0.400
Equipment	0.199	0.317	0	0.517
Specialist Equipment		0.002	0	0.002
Total	0.430	0.841	0	1.271

48. There was an assumed capital allocation in Year 3 (2022/23) for investment in equipment for NCSL to support the delivery of the environmental services contract. As a result of the reprofiling of the capital budget to support the completion of phase 2 of the project NCSL moves into business-as-usual activity from 2022/23. The company through it's client service will therefore need to seek approval for future capital investment as part of the council's corporate planning cycle and budget approval process.

Summary

	Remaining budget (£m)	Identified requirement (£m)	Additional funding required (£m)
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Transition Costs	0.801	1.547	0.747
Capital investment	0.841	0.841	0.000

1. It is recommended that Cabinet approve the utilisation of earmarked invest-to save reserves to fund additional revenue investment of £0.747m to support delivery of project phase 2. Applying the 80:20 apportionment this is £0.149m from the general fund reserve and £0.598m from the HRA reserve.

Legal Implications

2. The principles of the Council's ability to award contracts to NCSL was set out in the Cabinet report of January 2021, in which it was identified that such contracts are exempt from Public Contract Regulations 2015 by virtue of the Teckal exemption. The Council continues to be satisfied that the principles of the Teckal exemption continue to apply.
3. The Chief Finance Officer (the Executive Director for Corporate and Commercial Services) is authorised to utilise earmarked reserves for the purposes that the reserves were established. As outlined in the Council's constitution, officers may, at their own discretion, elect not to use their delegation and refer the matter to Cabinet where the matter is of strategic importance.
4. Decisions by Cabinet must remain consistent with the Budget and Policy framework. As this report seeks the utilisation of reserves and the reprofiling of spend across the Medium Term Financial Strategy period, this decision remains consistent with the budget.

Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	A full integrated impact assessment was completed in May 2020 and found a neutral impact.
Health, Social and Economic Impact	A full integrated impact assessment was completed in May 2020 and found a neutral impact.
Crime and Disorder	A full integrated impact assessment was completed in May 2020 and found a neutral impact.

Children and Adults Safeguarding	A full integrated impact assessment was completed in May 2020 and found a neutral impact.
Environmental Impact	A full integrated impact assessment was completed in May 2020 and found a neutral impact.

Risk Management

5. A detailed project register is held within project place. The high-level risks are set out below with confidential risks in exempt appendix 2.

Risk	Consequence	Controls Required
There may be a risk that Northgate and other IT systems are not implemented and 'go live' in time to support 1 st April 2022 transfers.	Essential IT systems are not available to support services	<p>Northgate Programme Board monitoring delivery to key milestones and managing risk</p> <p>Risks clearly understood, continually monitoring and mitigation in place</p> <p>Dedicated project team in place working closely with project place team</p> <p>Project dependencies and links mapped</p>
There may be a risk that NCSL/NCC are unable to secure or transfer sufficient capacity, skills and expertise, or key staff are lost prior to transfer	<p>Impact on ability of NCSL and NCC to manage and undertake service delivery</p> <p>Loss of service knowledge (inc. buildings, contracts and systems)</p>	<p>New roles and job descriptions to be benchmarked against sector market to ensure competitive</p> <p>Early appointment to key roles within NCSL and NCC to provide certainty</p> <p>Early and consistent engagement and consultation with existing teams</p> <p>Modernisation of working environment e.g., vehicles, equipment and IT and</p>

		improvements/benefits communicated
There may be a risk of further national and local wave/s of COVID during the winter months	Further waves of covid during the winter months could result in localised lock downs, local outbreaks resulting in staff shortages, disruption to services.	Continue to provide staff colleagues with advice and information on limiting Covid infection outbreak. Ensure working practices and buildings are in line with current health and safety practice.
There may be a risk of disruption to vehicles and building materials supply chain	Materials supply chain less certain than pre-brexit This could impact the ability to stock the service ready for GO-LIVE and the full range of repairs following GO-LIVE	Procurement of vehicles and materials supply underway, giving time to create the right stock levels Consideration of hire, short term lease or purchase of NNBL existing vehicles to be established as mitigating approach
There may be a risk of an increase in materials, labour and equipment Costs	If material prices rise further; the cost of stocking the service for day one and the on-going delivery of the service may increase If labour prices increase generally; there may be more staff leaving the service pre-transfer (leading to a need for recruiting new staff) and the cost of any subcontracted services could rise	Building repairs and maintenance business case and property services proposal key assumptions to include stress testing to incorporate likely cost increase scenarios Work already in place to engage with the workforce and to demonstrate the benefits of transferring to NCSL Local & regional employment markets being monitored New sub-contracting arrangements to be agreed as part of the project

Other Options Considered

- The decision to transfer services was approved in June 2020. Project place was agreed as the mechanism to support the transfer of services, in two phases. Project place was established with related resources and budgets.

7. Project place service transfer budgets were approved based on the information available at the time. At the outset and during the original financial modelling processes, it was understood that there were elements in the services (particularly relating to building repairs and maintenance services) which required further clarification. As information and data transfer has advanced and the Northgate IT project has been further developed, areas have been identified where additional investment will deliver better outcomes for residents and future efficiencies for NCC.
8. It was agreed that environmental services would be transferred to NCSL 'as is' with improvements to services to be delivered in years one and two of the new company. It was indicated as, likely, that building repairs and maintenance and property services would also be transferred 'as is'.
9. As set out in this report, it has become clear following further due diligence and the appointment of dedicated technical expertise, that the 'lift and shift' of building repairs and maintenance services into NCSL is not possible. Existing service performance levels, paper-based systems, current processes, and practices require improvement.
10. Continued due diligence and work to understand the current service provision relating to property services transfer to NCC continues and as described a full proposal for the function, structure and costs will be presented to Cabinet later in the year.

Reasons for the recommendation

11. The recommendations in this report are made based on an improved understanding of:
 - current service delivery standards and the challenges in improving services
 - key risks as described in risk management table
 - the investment required in IT to support service delivery (Northgate and mobile working solutions)
 - resources (expertise and capacity) required to support successful transfer by April 2022.
12. The increased investment in technical expertise, capacity, equipment and IT will support the modernisation and improvement of current services. An improvement plan will be developed which will target savings and efficiencies over a planned period, aligned to the NCC Medium Term Financial Strategy.

Background papers: None

Appendices: Confidential risk management

Contact Officer: Executive director of community services

Name: Louise Rawsthorne

Telephone number: 01603 987754

Email address: louise.rawsthorne@norwich.gov.uk