



# NORWICH City Council

**Committee name:** Cabinet

**Committee date:** 11/09/2024

**Report title:** Norwich City Services Limited – Business Plan 2024/27

**Portfolio:** Councillor Stonard, Leader of the council

**Report from:** Chief executive

**Wards:** All Wards

**OPEN PUBLIC ITEM**

**KEY DECISION**

## **Purpose**

To approve the NCSL Business Plan 2024/27 in accordance with the governance arrangements for the company.

## **Recommendations:**

- 1 - That the NCSL Business Plan 2024/27 be approved.
- 2 – That the responses to the Scrutiny Committee’s recommendations in appendix 3 be agreed.

## **Policy framework**

The council has five corporate priorities, which are:

- A prosperous Norwich.
- A fairer Norwich.
- A climate responsive Norwich.
- A future-proof Norwich.
- An open and modern council.

This report meets all five corporate priorities and in particular the following outcomes:

- Good quality homes for all – our tenants benefit from high quality repairs and maintenance services.
- Our city and local neighbourhoods are safe, diverse and vibrant – we have diverse and vibrant neighbourhoods where our streets are clean and safe.

## Report details

### Background

1. In April 2021 and April 2022 respectively, the Council transferred environmental and building repairs and maintenance services from two former joint ventures (Norwich Norse Environmental Limited and Norwich Norse Building Limited) to Norwich City Services Limited (NCSL).
2. This followed consideration of the options for the continued provision of these important services to residents and tenants, starting in 2018 and culminating in a business case agreed by Cabinet in 2020.
3. By the time that services were transferred, performance, particularly in relation to building maintenance services, had deteriorated significantly. It was acknowledged that improving performance, dealing with backlogs, and changing health and safety working practices would be challenging. Reports to Cabinet in 2022, prior to transfer of the repair's services estimated that it would take three years to see tangible improvement.
4. In July 2021, the Council established a shareholder panel to oversee the relationship between the Council and its companies. The Shareholder Panel's role is to monitor performance of the companies in relation to their agreed business plans and to monitor performance on both financial matters and objectives.
5. Membership of the Shareholder Panel consists of the Leader of the Council, portfolio holders, the leader of the largest non-administration group and senior officers including the Council's statutory officers.
6. Each year, NCSL is expected to bring forward a business plan to establish its objectives over the next year, and how it intends to deliver these objectives. This includes key performance metrics and financial analysis of the company. The business plan is approved by Cabinet.

### Draft business plan

7. The draft business plan for 2024/27 was presented to Shareholder Panel in January 2024. In response five recommendations were made to the NCSL Board by Shareholder Panel. Additionally, officers committed to working with NCSL on the following matters:
  - Concluding the Open Book Audit for 2022/23 and understanding the consequent impacts into later years. **Completed with future impacts informing work on financial arrangements.**
  - Resolving the significant intercompany balances that were distorting financial reporting. **Completed.**
  - Putting in place improvements to the financial arrangements (both contractual and processes) that govern the payment mechanisms for voids and repairs and for payments for 'excluded costs' outside the PPV and PPP rates. **In progress.**

- Resolving the apparent disparities between the contractual volumes and frequencies for environmental services activities considering current and aspirational performance levels to remain within the currently approved budgetary envelope for 2024/25 – 2026/27 i.e. delivering the agreed efficiencies assumed in the council's MTFS of £1.013m without slippage. **Completed.**
  - Critically reviewing the existing IT systems operated by the company to determine the extent to which they are fit for purpose, require enhancement or replacement and supporting the production of an agreed and robust business case in support of any change identified. **Completed.**
  - Agree a realistic, timebound, measurable performance improvement plan which would be monitored by the Shareholder Panel on a quarterly basis. **In progress.**
8. The business plan was considered by the Scrutiny Committee on 18 July 2024. The recommendations of the Scrutiny Committee and the proposed responses are included at appendix 3 to this report.

### **Governance**

9. Additionally in 2023, Shareholder Panel supported the commission of a governance review. The governance review was undertaken by Local Partnerships, who produce national guidance in relation to the management of council companies.
10. The Local Partnerships report was reviewed, and an action plan agreed by Shareholder Panel. The action plan is currently being monitored by Shareholder Panel. A progress report, alongside an internal audit analysis of the overall governance matrix, is to be reported to Audit Committee in September this year.

### **Performance and Improvement**

#### **Environmental services**

11. The table at appendix 1 provides comparative performance data over a 12-month period.
12. NCSL and council officers continue to work closely to drive improvements to performance and efficiency and confirm the bill of quantities. Overall, the performance of the company has significantly improved over the past year although due to the lagging nature of the indicators of the scorecard the picture shown in the scorecard in appendix 1 shows a more mixed picture, with an increasing focus on LAMS data recording the state of the environment rather than the level of activity undertaken.
13. The LAMS data shows a year-on-year improvement in street cleanliness but a deterioration in grounds maintenance. However, this masks quarterly variations with a sustained improvements in both metrics in the latter half of the year. The figures in relation to grounds maintenance were impacted by poor performance on winter maintenance programme in 22/23. This left shrub beds looking particularly poor during the summer growing season. The company has worked

hard to catch up on historic backlogs and even though the 23/24 winter shrub bed indicator remained poor this has now been largely caught up by activity taken outside the 5-month period. Street cleanliness and street sweeping frequency indicators were impacted significantly by the reliability of the sweeping fleet in the early part of the last year. This was addressed through the hire of new vehicles pending a decision on the purchase of a new fleet which will be taken following the consideration of the business.

14. Successes and improvements during this reporting year within environmental services have included:

- 100% of all tree works have met or exceeded response target windows throughout the year.
- Sharps and dog fouling removal have seen a steady increase in responsiveness during the year with Sharps improving from a Q1 position of 93% to 100% for the last two quarters and dog fouling removal also improving from 96% in Q1 to 100% for the last two quarters.
- The completion of street cleansing schedules has steadily improved from a baseline of 65% at the start the year to 85% at the end of the year.
- A full autumn annual hedge cutting programme (excluding sites that couldn't be accessed 0.4%) was completed for the first time this year and included significant growth reduction. The hedge maintenance programme had to absorb an additional 78% of works - this being the difference in NCC's stated measurements and the actual measurement of hedges (after cut).
- This year the annual shrub bed maintenance programme will continue beyond the start of the grass cutting season to ensure all shrub beds receive an annual visit.

### **Repairs and maintenance services**

15. The table at appendix 1 provides comparative performance data over a 12-month period.

16. Successes and improvements in repairs and maintenance services within this reporting year have included:

- Significant improvement in customer satisfaction as measured by NCCs independent survey. Customer satisfaction improved by 12% from 61% in 2022/23 to 73% in 2023/24.
- Significant improvement in managing emergency repairs, as well as other service metrics. Customer satisfaction improved by 21.9% from 76.8% in 2022/23 to 97.7% in 2023/24.
- Improvement in complaint handling using learning outcomes to continue to improve customer satisfaction. NCSL took over direct control in addressing Stage 1 complaints at the end of quarter 3. The

performance in Q4 was 95% completed in target time with an average response time of 5 days, which represents good performance.

- Joined up working with NCC to continue to improve the service, through customer journey mapping to design effective processes.
- Improved visibility on historic backlogs and Work in Progress costs. Reduced the volume of outstanding repairs and voids works within Building Maintenance. Overdue works have reduced by 41% over the last year.
- Improved communications within the company to ensure that everyone is aware of current performance including change requirements.

17. Additionally, council officers and NCSL officers have worked collaboratively to instil safe working practices including asbestos management to embed a positive safety culture. To support this a dedicated role within the Safety, Health, Environment and Quality (SHEQ) Team focusses on asbestos management.

18. The repairs and maintenance service has made considerable improvements in the last 12 months. However, there has been a significant volume of new legislation introduced into the sector with the introduction of the consumer standards and the Building Safety Act and at the same time, the sector, and in particularly the Norfolk area, is experiencing large scale skill shortages making it difficult to recruit trade employees and also contracting organisations to undertake repairs and maintenance activity, this is expected to continue and may impact on the pace of continued improvement.

19. NCSL and the council are working collaboratively to address these challenges. This includes implementing a review to amend the current contractual arrangements to support a more effective delivery. This will include new governance arrangements between NCC and NCSL which will give greater control and visibility of the contract and its performance at all levels. Some of this work has already started with new operational governance arrangements, a new performance framework and a review of policies and procedures to ensure NCC and NCSL are clear on the service standards required from the contract, this includes a review of the voids service with a view to implement a voids standard, performance and financial model which supports the standard.

## **Consultation**

20. Consultation has taken place with Shareholder Panel, relevant portfolio holders, the executive leadership team, and officers across the Council. No public consultation is required for this decision.

## **Implications**

### **Financial and resources 2023/24**

21. 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 2024-29 and budget. The NCSL business plan covers a three-year period although the budget for each financial year will be agreed

separately on an annual basis and incorporated into the council's own budget for that year.

22. The business plan continues to predict growing profits going forward for both the repairs and environmental elements.
23. Within the business plan a number of assumptions are made which are of course, by their nature, subject to uncertainty and changes, it is therefore necessary to continue to maintain a close watching brief on the financial performance of the company. The company has also set out a small number of areas where the council must consider how to proceed. A request is set out for a loan to support future asset purchases and acquire assets currently held by the council on behalf of the company.
24. The extent to which this can be accommodated relies at least in part on the changes to the capital financing regulations; the council must now provide in its own revenue budget for the repayment of loans made to third parties, including wholly owned companies, which changes the position to one where the financial benefits are reduced to minimise risks to the council taxpayer.
25. Secondly the treatment of profits and the desire to minimise tax liabilities and strengthen the company's balance sheet means that it is unlikely the council will see returns from its investment in the company over the term of the business plan. Whether that is consistent with the overall purpose of the company needs to be considered and agreed by members as part of their on-going oversight of company performance and objectives.

## Legal

26. It should also be noted that as a TECKAL subsidiary, there are restrictions on how NCSL can grow. As the plan highlights, NCSL can only perform up to 20% of its revenue for other organisations. As such, the substance of any profit it makes will ultimately be made from Council contracts, and any net profit will then be subject to company taxation rules. Any dividends will then be for the Council to determine.
27. NCSL will remain bound by public procurement rules, and will be required to comply with the new Procurement Act requirements.
28. NCSL have highlighted the potential to seek loan financing from the Council to support acquisition of its capital needs. This is entirely feasible, but as with current loans to the Council's companies, will need to be done on appropriate terms set out in a binding agreement to avoid the potential of subsidising NCS, and will impact on the Council's MRP calculations.

## Statutory considerations

<b>Consideration</b>	<b>Details of any implications and proposed measures to address:</b>
Equality and diversity	The provision of an effective repairs and maintenance service, which responds to individuals' needs is essential.

<b>Consideration</b>	<b>Details of any implications and proposed measures to address:</b>
Health, social and economic impact	Housing quality and standards are a key wider determinant of health. As is the cleanliness and quality of the built environment and open spaces. NCSL is a key service delivery provider to support people's health and wellbeing.
Crime and disorder	The delivery of NCSL services supports the council's obligations in relation to community safety, particularly tackling environmental crime and providing safe homes and communal areas.
Children and adults safeguarding	The delivery of these services align with the council's Safeguarding Policy statement.

### **Risk Management**

<b>Risk</b>	<b>Consequence</b>	<b>Controls required</b>
NCSL is unable to deliver performance improvement in environmental and repairs and maintenance services.	Residents will receive poor quality services, homes will be poorly maintained and risks to health and safety may arise.  Street scene and city environment is poor leading to increase in anti-social behaviour and reputational issues for the city	Regular performance monitoring based on up to date and accurate performance information.  Company Board continuing to focus on performance and ensure that this is prioritised in line with shareholder discussions.  Shareholder panel continues to focus on and review performance.
NCSL's financial position worsens.  Business plan financial projections are not achieved.	Further accumulated losses accrue.  Cost of borrowing increases, short term cashflow support needed.  Outstanding loans with the Council will crystallise. Alternative service delivery options will need to be implemented.	Company Board and shareholder panel continue to review quarterly budget monitoring information.  Cashflow closely monitored and action taken to minimise avoidable intercompany debt.

Governance arrangements are not effective.	Early opportunities to take corrective actions are missed  Governance failures lead to company breaching responsibilities.	Regular and effective Board and Shareholder panel meetings.  Effective agenda management, minuting of actions and follow up of actions
NCSL is unable to retain/recruit the necessary skills and expertise to deliver its objectives.	Service improvement and long-term sustainable service delivery will not be achieved.	
The transfer of business support services isn't well planned or is unsuccessful.	Disruption to services and oversight.  Core support services fail.	Effective project management and oversight by Head of Corporate Services.

### **Other options considered**

29. The Cabinet could choose not to approve the NSCL business plan, however this would result in the company being unable to pursue the key objectives set out in the business plan. Therefore, this option is not recommended.

### **Reasons for the decision/recommendation**

30. The governance arrangements for NCSL require that the Council, via the Cabinet, approves the business plan on an annual basis.

### **Background papers: None**

**Appendices: Appendix 1 – Performance scorecard**

**Appendix 2 – NSCL Business Plan (Exempt appendix – Para 3)**

**Appendix 3 – Scrutiny Recommendations**

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# Appendix 1

## Performance Scorecard

Norwich City Services Limited - Environmental Services							Green: On / ahead of target	
Environmental Scorecard 2022-23 & 2023-24 comparison							Amber: Below target but within 10%	
							Red: Below target by more than 10%	
Area	Ref.	Scorecard Perspective	Metric	2022-23 target	2023-24 prov. target	2022-23	2023-24	Change from prev. year
Operations	O1	LAMS standard for street cleanliness (Grade A - B)	%	88%	88%	85.00%	87.50%	▲
	O2	LAMS standard for grounds maintenance operations (Grade A - B)	%	85%	85%	78.00%	75.31%	▼
	O3	Total frequency of street cleansing	%	88%	88%	83.00%	71.33%	▼
	O4	Sharps cleared within Service Standards	%	95%	95%	97.00%	96.63%	▼
	O6 & O7	Graffiti removed within service standards	%	95%	95%	100.00%	100.00%	▬
	O9	Cleaning at contracted sites achieved	%	95%	95%	100.00%	99.79%	▼
	O10	Cleaning inspections achieving quality target	%	90%	90%	99.00%	99.26%	▲
	O11 A	Grass cutting programme completed (per 4 weekly cycle)	%	90%	90%	95.00%	79.00%	▼
	O11 B	Winter shrub bed programme completed (over 5 months).	%	80%	80%	73.28%	67.76%	▼
	O12	Play Area inspections completed	%	100%	100%	100.00%	100.05%	▲
	O13-O18	Priority Tree work requests within target date.	%	100%	100%	100.00%	100.00%	▬
Customer	CU1	NCSL complaints	No.	0.58	0.33	0.33	0.50	▼
	CU2	NCSL compliments	No.	8.83	6.42	6.42	6.83	▲

Building Maintenance Scorecard 2022-23 & 2023-24 comparison							Amber: Below target but within 10%	
							Red: Below target by more than 10%	
Area	Ref.	Scorecard Perspective	Metric	2022-23 target	2023-24 prov. target	2022-23	2023-24	Change from prev. year
Housing Revenue	HRA1	Customer satisfaction	%	79%	83%	61%	73%	▲
	HRA2	Repairs completed right first time - customer perception	%	#N/A	80%	65%	68%	▲
	HRA3	Emergency repairs completed on time (within 24 hours)	%	#N/A	92%	76.88%	96.77%	▲
	RTR	Right to repair - amount completed within 5 days	%	#N/A	85%	54.68%	56.96%	▲
	HRA4	Average time to complete a non-urgent repair	Days	#N/A	20.00	30.74	39.36	▼
	HRA8	Voids turnaround time (repairs)	Days	78	25	56	66	▼
	HRA9	Voids - satisfaction with condition of new home	%	#N/A	80%	64.58%	74.68%	▲

## Scrutiny Committee 20 July 2024 NCSL Business Plan Recommendations:

Ref	Scrutiny Recommendation	NCSL response
1.	That NCSL performance is incorporated into the quarterly performance reports to the Cabinet.	<p>NCSLs metrics already form part of the reporting, which are provided to the relevant heads of service.</p> <p>NCSL has created its reporting structure to enable quarterly reporting to its Board. This reporting can be included in quarterly performance reporting to Cabinet.</p>
2.	That training be provided for all councillors on the governance and operating arrangements for NCSL.	NCSL can develop induction style training material to use for explaining what our internal service arrangements are and a thematic approach on how that then is delivered on the ground. This would enable Cllrs to have post training reference material they can access as and when required. Training can be delivered via dedicated Councillor briefing sessions.
3.	That the Cabinet should develop an action plan to deliver the pesticide free control of weeds, where appropriate.	NCSL can work with Council Officers to identify potential alternative options to weed control for Cabinet consideration.
4.	That an options appraisal be produced setting out the possible options for pesticide-free weed control, including an assessment of the costs and effectiveness of these options.	The option appraisal on weed control will include full analysis of any potential changes required to the current maintenance frequencies which will be included in the cost benefit analysis for consideration.
5.	That the Chair of Audit Committee and Chair of Scrutiny committee are appointed to the shareholder panel.	This is a Norwich City Council decision.
6.	That consideration is given to producing an annual report on performance against the business plan and that this be presented to an annual shareholder meeting which could be attended by all members.	There currently exists an annual process of bringing the Business Plan to Shareholder Panel, which sets out achievements in the previous year as well as plans for future years. An annual report can also be developed to supplement the annual business planning process, prepared for an AGM.

Ref	Scrutiny Recommendation	NCSL response
7.	That the considerable contribution made by the NCSL workforce be noted and that the Committee's thanks to the team be formally recorded and passed on.	This feedback has been shared with the NCSL workforce
8.	That the training for members of the shareholder panel be delivered as a matter of urgency.	Training can be delivered for members of Shareholder Panel in the Autumn/Winter 2024.
9.	That the business plan demonstrates a clear pathway to pay parity between NCSL employees and Norwich City Council employees.	<p>It is not part of the current business plan to align pay with the City Council.</p> <p>Pay for NCSL is not linked to national pay bargaining arrangements and is entirely locally agreed with the recognised Trade Unions. This has provided the discretion to apply pay increases that are locally agreed.</p> <p>The business plan includes the two-year agreed pay deal (2023/24 and 2024/25). Currently a job evaluation exercise is underway, and a new pay structure is being developed which will seek to align salaries with local market conditions to support recruitment and retention.</p> <p>In the main, NCSL roles are not comparable with roles in Norwich City Council and the Council's current pay and grading structure was not designed with these roles in mind when it was established.</p>