



**Committee Name: Cabinet**

**Committee Date: 12/01/2022**

**Report Title: Project Place Phase 2 – Commissioning the Repairs and Maintenance Contract with NCSL**

<b>Portfolio:</b>	Councillor Harris, Deputy Leader and cabinet member for social housing & Councillor Kendrick, Cabinet member for resources
<b>Report from:</b>	Executive Director of Community Services Executive Director of Development and City Services
<b>Wards:</b>	All
<b>OPEN PUBLIC ITEM by virtue of Paragraph [insert relevant number] of Part 1 of Schedule 12A of the Local Government Act 1972</b>	
<b>Key Decision</b>	

### **Purpose**

In July 2020, members approved the transfer of housing and property repairs and maintenance services from Norwich Norse Building Ltd to Norwich City Services Limited (NCSL) in April 2022.

The report provides information for members to note in relation to the key principles which will be applied to the contract awarded to NCSL for the delivery of housing and general fund repairs and maintenance services.

### **Recommendations:**

To:

- (1) note the contract principles as set out in Section 5 of this report.
- (2) delegate to the the executive director of community services, in consultation with the executive director of development and city services and the cabinet portfolio holders for social housing and resources, to agree the contract with Norwich City Services Limited for the provision of the repairs and maintenance service, in line with the principles and term as set out in this report and to the projected value of £133 million.

## Policy Framework

The Council has three corporate priorities, which are:

- People living well
- Great neighbourhoods, housing and environment
- Inclusive economy

This report meets the great neighbourhoods, housing and environment and inclusive economy corporate priorities.

- This report addresses the following strategic actions:
- build and maintain a range of affordable and social housing
- increase the impact of our assets and purchasing power on reducing inequality

The Council's Housing Strategy '*Fit for the Future*' *A Council Housing Strategy for Norwich* sets priorities for the Council's homes and estates for the period 2020 to 2026. It identifies four primary goals, these are:

- Meeting Housing need - delivering new homes.
- Maintaining and improving condition of existing housing
- Improving the use and management of our existing housing stock
- Improving our neighbourhoods

## Report

### Background

1. Norwich City Council is the landlord of approximately 14,450 council homes and the freeholder for the buildings in which approximately 3,240 leaseholder homes are situated. The council also manages and maintains 844 non-housing related properties across the city.
2. Based on current known information, the assumed level of reactive repairs equates to 26,000 annually with 960 voids being refurbished each year.
3. In July 2020, cabinet approved the business case for the transfer of council repairs and maintenance services, which were being delivered through joint ventures between Norwich City Council and Norse Group. Members agreed:
  - (a) The transfer of environmental services from Norwich Norse Environmental (NNE) to Norwich City Services (NCSL) on 1 April 2021, which has been completed.
  - (b) The transfer of housing and non-housing repairs and maintenance services from Norwich Norse Building (NNB) to NCSL on 1 April 2022.
  - (c) The transfer of property management services from Norfolk Property Services Norwich (NPSN) back to Norwich City Council on 1 April 2022.
4. This report focusses on the key principles in commissioning of the contract with NCSL to undertake repairs and maintenance service for the Council's housing and non-housing portfolio of properties. No further decisions are required in respect of the transfer of the property management service provided currently by NPSN.
5. When considering the business case for the transfer of services in July 2020, cabinet approved a target operating model that created a set of design principles for the future service delivery, as set out in the table below. The Building Repairs and Maintenance service will be delivered by NCSL in accordance with the contract which is being developed by the project team and in line with the design principles as set out in the table below.

Principle	Meaning
Value for money	The council will provide appropriate services to appropriate quality standards, efficiently and pragmatically, based on the needs of customers

Principle	Meaning
Effective governance and control	Performance will be directed and managed effectively and proactively focusing on achievement of defined outputs
Customer Focused	Services will be designed, delivered and improved in line with customers' needs and in line with Norwich City Council's standards
Safe and Robust	Service provision needs to be resilient (robust provision with good contingency) and sustainable (balancing environmental, social and financial considerations) and compliant (adhering to defined Industry and Council standards) and, Service provision needs to be focused on contributing to Norwich's vision and priorities, as defined by the council's corporate priorities and the City Vision 2040
One Council, One Culture	Where appropriate the company and the council will work as one People will work together as one team to the same standards, values and behaviours Where possible, policies, procedures and systems will be aligned to improve integration between the company and the council

# **Building Repairs and Maintenance Contract – Key Principles**

## **Contract Services**

6. The current building repairs and maintenance contract with NNBL includes the services below. The scope of services for the new contract with NCSL will remain the same over the initial term:
  - (a) Reactive maintenance service for the council's housing stock of approximately 14,500 homes and buildings,
  - (b) Major and minor repairs,
  - (c) Voids,
  - (d) Handyperson service for sheltered housing tenants,
  - (e) Disabled adaptations to HRA dwelling stock,
  - (f) Reactive and responsive service for non-residential properties owned by the council,
  - (g) Programmed maintenance of non-residential properties owned by the council.

## **Contract Term**

7. The contract term will be for an initial period of 3 years, from 1st April 2022 until 31 March 2025. With a performance related extension for a further 2 years to 31 March 2027, and then a further 5 years to 31 March 2032. The contract term approach reflects the need for significant service improvement balanced against providing stability to NCSL.

## **Contract Principles**

8. A commercial approach has been taken to the development of the contract.
9. The contract terms for Housing Revenue Account homes and buildings will be based on a price per property and price per void contract, designed to provide price and income certainty for both parties based on an expected volume of works. This approach removes the unnecessary bureaucracy of contract administration associated with individual repair jobs and drives the right behaviours using collaborative working principles focussing on contractual KPIs which prioritise quality and value for money. Actual costs will be reviewed and revised on an annual basis.
10. General fund repairs and maintenance services will operate via a pre-agreed schedule of rates.
11. The detailed works specification will be based on the M3NHF Version 7.2 Repairs and Maintenance Works Specification and will be incorporated into the new contract to cover all works delivered under the contract.

## Contract Performance

12. A suite of contractual key performance indicators, in the table below, will be incorporated into the contract to ensure that there are specific measures of success. These will be used to monitor the performance of the contract. The suite of KPIs (key performance indicators) are focussed on the quality of the service and value for money.
13. The council is a member of Housemark, a national housing benchmarking organisation. For the housing repairs and maintenance service the KPIs will enable comparison with peer organisations using the Housemark performance benchmarking model to ensure that the aspirational quality of the service is achieved, and that value-for-money is consistently achieved.
14. The actual targets below are based on the top quartile performance in 2020/21 using the Housemark benchmarking tool. During the first year of the contract, the council will set year 2 targets that reflect progress towards delivering the targets for year 3. The contract will require the targets to be delivered over the first 3 years of the contract.
15. General fund KPIs have been set by the property services team. These are initial KPIs and will be developed and reviewed on an ongoing basis over the contract year.

### Contractual KPIs – 3 Year Targets

HRA Key Performance Indicator - KPI	Target
Customer Satisfaction	92%
Repairs Completed Right First Time – Customer Perception	95%
Emergency Repairs completed on time	95%
Average time to complete a minor repair	< 8 days
Productivity of workforce by trade – Minor Repairs – Jobs per trade per day	Variable by trade
Voids completed in timescale	90%
Voids Turnaround Time (Repairs)	13 days
Voids - Satisfaction with new home	85%
Non-productive time of the workforce - Reactive	<15%
Average Cost of a Repair	< £134
Average Cost of a void	< £2384

<b>General Fund Key Performance Indicator - KPI</b>	<b>Target</b>
Emergency repairs completed on time	95%
Average time to complete a minor repair	< 8 days
Productivity of workforce by trade – reactive repairs – jobs per trade per day	Variable by trade
Non-productive time of the workforce – reactive	<15%
Post inspection attainment of 5% of reactive work orders	95%
Programmed maintenance completed on time	95%

16. A fully developed suite of procedures that expand on the table above and are aligned to NCC's policies, vision & targets will be developed and adhered to ensure that a quality service is delivered to NCC's residents, tenants, customers and stakeholders.
17. It is accepted that it will take time to embed and deliver the improvements to the service. The activities to achieve this will be contained within the NCSL Improvement Plan, embedded within the NCSL Business Plan. The plan will aim to address the following:
- (a) Improved service delivery
  - (b) Productivity
  - (c) Cost of services
  - (d) Customer satisfaction
  - (e) Culture
  - (f) Expansion of the service
18. NCSL will work to ensure that its activities are standardised and consistent with the council's strategies, corporate priorities and business planning in relation to the following:
- (a) Financial and contractual procedures that are consistent with the council's own procedures.
  - (b) Contribute to the council's Environmental Strategy and aspirations
  - (c) Effective monitoring of performance and its own governance framework
  - (d) Improved escalation and exit clauses
  - (e) GDPR, Pensions & TUPE
19. The contract will be developed based on the key principles set out in this section. It will be drafted to respond to lessons learnt from the previous joint venture contracts in respect of governance, performance management, financial management, dispute resolution, escalation and exit strategies and to take account of best practice across social housing and property sectors.

## Other Information, documentation and governance

20. In addition to the contract, the following documents and governance arrangements are in place or will be established during the first contract year by 31 March 2023:

- (a) **NCSL Business Plan** – an annual Business Plan is produced by NCSL which is subject to cabinet approval (Business Plan 2022/23 for cabinet consideration and approval February 2022). Delivery against key council KPI's is reported via the council's quarterly assurance reports.
- (b) **Shareholder Panel - NCSL** reports its delivery against full business plan targets to the quarterly shareholder panel, including finance, performance, health and safety and risk.
- (c) **Contract Governance and Budget Management Board** – A repairs and maintenance contract management board comprising of officers from NCSL and the city council will be established and will meet quarterly to review and monitor the following aspects of the contract, which will feed into the Shareholder Panel report:
  - Performance against the Business Plan and the contractual KPIs
  - Delivery of the contract including monitoring of customer satisfaction and complaint levels
  - Finance to include invoicing, spend against budget, review of costs vs delivery
  - Health and Safety performance of the contract
  - Progress against the improvement plans
  - Recommendations for delivery of services, consider and monitor new business
  - Business Continuity and Disaster Recovery Plans
  - People Policies to include Safeguarding, Anti-Slavery, Equality & Diversity - annual review
- (d) **Housing Repairs Stakeholder Panel** - As part of our commitment to engaging and involving tenants and leaseholders in the provision of their service and the monitoring, management and ongoing development of the housing related repairs service a new stakeholder panel will be created. This will comprise of city council & NCSL officers, and tenant and leaseholder representatives. The stakeholder panel will be implemented by the end of the first quarter - June 2022/23. Terms of reference, membership and further details will be developed with the Tenant Involvement Panel and shared with the wider tenant group in July 2022. Feedback from the panel will inform development of services and a report from the Stakeholder Panel will be included in reports to the Shareholder Panel.
- (e) **Client contract management meetings** - will be held on a monthly basis. These meetings, attended by both city council officers and NCSL will manage the delivery of the contract, monitor performance against budget, KPIs and improvement plans in detail and consider safety, health, environmental and quality (SHEQ) performance.



21. The company will provide financial and non-financial information to the council on an open-book basis providing full transparency which shall include, but not be limited to the pricing of the contract and the cost base.

### **Building Repairs and Maintenance Contract – Financial background and client budget summary**

22. The council has determined the client costs associated with commissioning repairs and maintenance services from NCSL. An indicative Year 1 and year 2 forecast company operational budget overview has been agreed in principle by the managing director of NCSL.
23. A summary of how the base costs have been allocated between the HRA and General Fund (GF) are shown in the following table with further detail provided below.

### **Contract Summary Split Between HRA and General Fund**

	<b>Proposed Value of Work (£000)</b>	<b>2019/20 Expenditure Comparison (£000)</b>
All Repairs	6,047	5,779
Voids	2,870	2,280
Major Disabled Adaptations	1,000	448
Handyperson	50	30
Short-term sub-contractors (year 1)	463	-
<b>HRA Total</b>	<b>10,429</b>	<b>8,537</b>
<b>GF (Non Housing) Total</b>	<b>1,000</b>	<b>1,578</b>
<b>Commissioned Total</b>	<b>11,429</b>	<b>10,115</b>

24. The base value of the contract for 2022/23 comprises of a core fee of £11.429m.
25. In summary, the base value of the commissioned contract over the initial 3-year period 2022/23 to 2025/26 will be £34.357m and the total base value of the contract if extended for the 10-year period, will be circa £126.171m assuming a 3% inflation rate. This includes £0.463m for short-term sub-contractors for year 1 only. When including an additional £0.300m GF budgetary provision for potential variations and an HRA contingency budget of £0.295m, the total projected value over the initial 3-year period 2022/23 to 2025/26 increases to £36.195m and the total projected value of the contract if extended for the 10-year period, will be circa £132.991m.

### **Housing Revenue Account**

26. It is proposed that the contract commits to the council commissioning HRA works totalling £9.966m in 2022/23 with a further £0.463m allocation in the first

year only to cover the cost of short-term sub-contractors to support NCSL during the transition phase.

27. In addition, a further contingency budget of £0.295m will be held by the council to make provision for any increase in the cost of materials for HRA works.

28. The total contract cost of £11.429m is affordable within the proposed 2022/23 budgets for the HRA. The proposed contract cost is approximately £1.892m higher than the value of the payments made to Norwich Norse Building Ltd in 2019/20 under the existing repairs contracts. However there are a number of elements that need to be taken into account to get a true reflection of the financial position:

(a) The construction industry has seen an unprecedented inflationary increase in the cost of materials (16%), fuel (50%) and a scarcity in labour. BCIS is showing an increase in costs across the board of 9.7%. This would have impacted on the cost of the service even if NNBL had been retained.

(b) The positive addition of the disabled adaptation work to NCSL.

(c) Inflation increases over 2 years which also includes an increase in salaries as previously agreed to assist in the retention of staff.

(d) A 3 year improvement plan is being developed in partnership with NCSL that will result in savings which will be directly feedback into the service or taken as savings to the HRA. For example, the investment in improved technology is expected to produce efficiencies over the life of the contract.

## **General Fund**

29. There is a lower degree of certainty as to the level of work that will be commissioned from NCSL in light of the emerging asset management strategy and the longer term capital programme. To reflect this, it is proposed that the contract only commits the council to commissioning general fund works worth £1m from the company, although a further £0.300m budgetary provision will be held by the council for potential variations or additional works during 2022/23. The £1m revenue comprises responsive repairs, specified works and programmed maintenance works. Responsive repairs covers works required to general fund properties covering operational assets, parks and open spaces, cemeteries, car parks, the market, community centres and tenanted buildings with repair liabilities and the district lighting network. Specified works include improvements to assets which are not classified as capital works. Finally, programmed maintenance covers compliance activities, inspections and annual cleaning/maintenance programmes.

30. In addition to this, certain additional works are likely to be instructed such as assistance with elections and events in the city, such activities are currently supported by Norse but are more one off in nature.

31. The council is currently developing its strategic asset management framework and delivery plans, which will influence the level of future planned and responsive maintenance requirements as well as capital works. One of the intended outcomes of the strategic asset management framework is to ensure

that general fund assets are held in good condition and are financially resilient with a clear understanding of liabilities and future investment requirements. This will in turn influence capital investment, asset retention and disposal decisions in the short term and should in the longer term reduce responsive repair liabilities. A further initiative over the next 12 months will be minimum energy efficiency improvements to certain assets and work is underway to ascertain the full extent of these works. The council will continue to work closely with the company as its preferred supplier on the delivery of the approved strategy and emerging delivery plan.

### **Financial implications**

32. The proposed total commissioned value of £11.429m is affordable within the proposed 2022/23 budgets for the HRA and General Fund. Additional budgetary provisions of £0.295m (HRA) and £0.300m (GF) are also proposed to provide a contingency in the event of increased cost of materials and additional GF works respectively.
33. The proposed total commissioned value of £11.429m is £1.314m higher than the value of the payments made to Norwich Norse Building Ltd in 2019/20 under the existing repairs contracts. The reasons for the increase in costs and associated benefits are set out in the detail of the report.
34. There will be an open-book arrangement in place to ensure that the council has full transparency over the company's financial information relating to the contract.
35. It is proposed that the provision of evidence of increased material costs will be required prior for the additional £0.295m being released or a variation order is received (up to £0.300m) for additional general fund works.

### **Consultation**

36. **Members:** Consultation with members has been a feature of the transfer since the early options appraisals were shared in 2018. Consultation on the contract award will be undertaken as described in the recommendations in section 2. Consultation will take place before cabinet with the cross-party joint venture working group.
37. **Trade Unions & Workforce:** 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.
38. **Tenants and Leaseholders:** Formal consultation has been undertaken with Tenants and Leaseholders, in line with our statutory obligations, through the following channels, Tenant Improvement 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.
39. The council is committed to (and in line with the requirement of the Social Housing White Paper) developing new and robust arrangements for meaningful engagement with residents in the management and monitoring of the new contract and the development of the repairs and wider housing service. This

report flags the introduction of a new stakeholders panel which will form part of these arrangements. The Tenant Involvement Panel will be engaged in the development of the transferring services.

## Project Risk Register

40. The programme which is overseeing the transfer of services to NCSL includes a detailed Risk Register and associated risk mitigation/management plan which is reviewed regularly. Included within this document are key risks which could specifically impact on the mobilisation of the service and the provision of the repairs and maintenance service by NCSL during 2022. The risks are monitored routinely and appropriate controls and mitigations are put in place.

Risk	Consequence	Controls Required
Northgate and other IT systems are not implemented and 'go live' in time to support 1 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>
Lack of engagement with transferring staff results in levels of dissatisfaction which may lead to disruption of service delivery.	<p>NCSL and/or NCC may not have sufficient capacity to deliver essential services during any strike period</p> <p>An increase in costs due to use of alternative delivery options or future T&amp;C negotiations</p>	<p>Early engagement with transferring staff and Trade Unions</p> <p>Clear and agreed strategy on transferring pay and conditions confirming any negotiation 'areas' and 'red lines'</p> <p>Costs of any upward pressure on pay and conditions modelled and applied to scenarios within NCSL business plan and NCC budget setting</p>

Risk	Consequence	Controls Required
<p>NCSL/NCC are unable to secure or transfer sufficient capacity, skills and expertise, or</p> <p>key staff are lost prior to transfer</p>	<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 improvements/benefits communicated to staff</p>
<p>The ongoing relationship with Norse prevents essential information from being shared</p>	<p>A lack of cooperation and willingness to provide access to key staff to share intelligence and data to support the design and validation of the new operating model</p> <p>Services continue to perform poorly and are not able to be improved prior to transfer</p> <p>A lack of investment in staff and business by Norse leads to a dissatisfied and depleted workforce</p> <p>Set up costs for NCC/NCSL are higher as a result of lack of information</p>	<p>Contractual dispute matters are reaching resolution. The NCC position relating to disputed matters to be presented to Norse. Outstanding debt position reconciled, and payment schedule to be confirmed to Norse in January.</p>

Risk	Consequence	Controls Required
Further national and local wave/s of COVID during the winter months affecting the mobilisation of the contract	Further waves of covid during the winter months could result in localised lock downs, local outbreaks resulting in staff shortages, disruption to the mobilisation and services.	<p>Continue to provide staff colleagues with advice and information on limiting Covid infection outbreak.</p> <p>Ensure working practices and buildings are in line with current health and safety practice.</p> <p>Ensure that there are robust remote working arrangements in place</p>
Disruption to vehicles and building materials supply chain procurement and mobilisation resulting from Covid and/or Brexit	Significant disruption to the mobilisation process and/or service delivery	<p>Procurement of vehicles and materials supply underway.</p> <p>Consideration of hire, short term lease or purchase of NNBL existing vehicles to be established as mitigating approach</p>
An increase in materials, labour and equipment costs resulting from Brexit	Increased NCSL costs associated with delivering the service	Building repairs and maintenance business case and property services proposal has key assumptions to include stress testing to incorporate likely cost increase scenarios
The current and emerging backlog of works relating to the existing contract with NNBL may impact on the mobilisation of the contract and/or the delivery of the service in the first year of the contract	Increased costs and disruption to the service due to a lack of capacity	<p>Additional contractors being procured to deliver the backlog</p> <p>Separate contract managements arrangements are being established along with budgets being established to clear the backlog</p>

<b>Risk</b>	<b>Consequence</b>	<b>Controls Required</b>
Failure to prepare for the implications of the white paper and any subsequent legislation	Would leave the council at risk of action from the regulator and the ombudsman should there be any failure to meet the required standards	Following the transfer of the service the council and NCSL will carry out extensive consultation to shape the future service delivery.

## **Legal Implications**

41. Previous advice was taken from LGSS regarding setting up NCSL and the award of a contract to them is made under regulation 12 of the Public Contracts Regulations 2015. The remaining work will be procured in accordance with standing orders and the Public Contracts Regulations 2015. Other matters requiring legal input from time to time, including TUPE have/will be addressed in due course.
42. Nplaw have considered the relevant legal requirements regarding consultation with residents. As there is not a change in the substance of the work undertaken, and NCSL are acting as a contractor (in that they are not taking on the management of the properties) there is no formal need to consult with residents with regards this change in service provider from NNB to NCSL.

## **Statutory Considerations**

43. A full integrated impact assessment was completed in May 2020 on the decision to transfer services and found a neutral impact across all areas of consideration.
44. A updated equality impact assessment will be carried out prior to the award of contract.

<b>Consideration:</b>	<b>Details of any implications and proposed measures to address:</b>
Health, Social and Economic Impact	Failure to deliver an effective maintenance service could have a detrimental effect on residents' health, wellbeing and enjoyment of their homes. The award and delivery of this contract will reduce the risk of this occurring.
Crime and Disorder	Neutral
Children and Adults Safeguarding	All persons involved in in the delivery of the maintenance works must adhere to the councils Safeguarding Policy statement
Environmental Impact	Neutral

## **Other Options Considered**

None

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

Cabinet approved the decision to transfer services from NNBL to NCSL in July 2020. This report and recommendations is the next step in a series of reports to support the transition of service.

**Background papers:** None

**Appendices:**

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