

**Report of the Executive Director Core Services  
and the Executive Director Place,  
to the Overview and Scrutiny Committee (OSC)  
on 10<sup>th</sup> July 2018**

**Norfolk Property Services (NPS) Barnsley - Performance Review Report**

**1.0 Introduction**

1.1 The purpose of this report is to outline the findings of the performance review of Norfolk Property Services Barnsley Limited (NPSB) and to consider the proposed recommendations and service improvements for the future provision of services delivered under the NPSB contract.

**2.0 Background**

2.1 On the 31 January 2011 Barnsley Metropolitan Borough Council (BMBC) formed a joint venture (JV) company with Norfolk Property Services (NPS) Property Consultants, named Norfolk Property Services Barnsley Limited (NPSB), for the delivery of property and procurement services for a 15 year period until the 31 January 2026. This resulted in the transfer of the Council's Property and Procurement Department into the company on this date.

2.2 The objectives of the company, as set out in the service agreement, include:

- (i) to maintain the availability of property and procurement services within the locality;
- (ii) to secure local employment by maintaining, creating and supporting jobs in the Barnsley borough;
- (iii) to create opportunities to contribute to the regeneration of the borough and to contribute to the growth of Barnsley town centre as the commercial centre of the borough; and
- (iv) to receive value for money with regard to the services and achieve savings for the Council as part of the Council-wide savings and efficiency strategy.

2.3 On the 29 November 2013, a deed of variation was agreed between the Council and NPSB for estate management and corporate procurement services to be transferred back to the Council due to them being key to Council business on a day-to-day basis.

2.4 Currently, the following services continue to be delivered by NPSB:

- Design Services (architectural design including interior and external design);
- Quantity Surveying Services (together with Design Services known as Professional Services);
- Maintenance and repair of Council premises (Construction Services), including planned maintenance and reactive work;
- Energy management; and
- Yortender procurement management (the system used for processing tenders and quotations for goods and services).

2.5 When the Service Level Agreement was set up, it was agreed that a full performance review would take place on the fifth and tenth anniversary; hence the recent review being conducted as it is five years since the contract changes in 2013. Performance is reviewed on an ongoing basis, however the recent full review was undertaken by a

'Client Team' of officers from the Council's Assets and Finance teams and concluded in February 2018.

### 3.0 Scope of The Review

- 3.1 The performance of each service area and NPSB as a whole has been assessed under the following best value principles (the four C's):
- **Challenge** - why, how, and by whom the service is being provided, and to what level of quality;
  - **Compare** - performance with others across a range of relevant indicators;
  - **Consult** - with a wide range of customers, and review of performance targets;
  - **Compete** - review whether the JV provides efficient and effective services.

### 4.0 Assessment Using The 'Challenge' Principle

#### The Relevance of the Original Aims of the Joint Venture Company

- 4.1 The original aims of the Joint Venture Agreement were reviewed by the Client Team, acknowledging the fact that they pre-dated the development of the Council's 2020 Outcomes Framework. The review challenged the reason for the JV's existence, its core obligations and its contribution to the key priorities facing the Council. The team concluded that the aims of the Joint Venture Agreement need to be updated to reflect the future outcomes and priorities of the Council.
- 4.2 A review of NPSB's financial performance has been undertaken which has not identified any current financial concerns regarding the viability of the company.
- 4.3 The JV arrangement gives NPSB exclusivity rights for all property related works carried out for BMBC. NPSB also carry out works for external clients. The Client Team are becoming increasingly concerned around the impact on quality and performance standards of work provided on behalf of the Council, with NPSB appearing to give a greater focus on external construction works. This will become an increasing concern as the amount of work from the Council continues to decrease due to the reduction of assets, meaning that NPSB will need to bridge the gap through external works to maintain sustainability.

#### Business Plan & Financial Performance

- 4.4 A review of the NPSB 2017 Business Plan has highlighted there is a lack of meaningful financial information, such as comparison and trend analysis to assess anticipated future performance against previous years (it is noted that this has been addressed in the NPSB 2018 Business Plan). There is also a need to review the financial key performance indicators (KPIs) for NPSB.
- 4.5 Upon request, NPSB has provided a report to show the areas of the business that contribute towards the annual profit (note this is not usually provided as part of their standard reporting). Analysis shows that whilst NPSB Construction contributes the largest proportion of funds to total profits, the Professional Services (Design and Quantity Surveying Services) achieve the highest profit percentages.
- 4.6 The JV allows for a profit sharing arrangement of 50% to the Council and 50% to NPS. 74% of the Council's share of the profits contribute towards the revenue budget of the Council's Assets Business Unit and the remaining 26% goes towards the Housing Revenue Account (HRA). Over the preceding five years reviewed there have only been

two occasions when BMBC income targets have been met, presenting pressures in the Council's budgets. NPSB however has met the income targets set by themselves as a company. It should be noted that the Council set its budgeted income targets for the profit share received from the JV at a point in time and the budget position hasn't been reviewed in conjunction with NPSB's annual targets up until recently. This has resulted in a budget pressure on the Council's part where NPSB's profit levels have decreased over the years. Moving forward, Council budgets will be realigned to reflect the anticipated position of NPSB annually.

- 4.7 It is also important to note that in addition to the profit sharing arrangement, NPSB also purchase a number of other services from the Council such as office space and vehicle leasing. Any changes to the services delivered by NPSB will clearly have an impact on the level of income received by the Council. Consideration needs to be given to the impact this will have on the Council's budgets and whether proposed changes will bring about savings which outweigh lost income streams.
- 4.8 At the time of creating the JV, Council staff were transferred under the Transfer of Undertakings (Protection of Employment) (TUPE) Regulations into NPSB along with an associated pension deficit. Under the terms of the Service Level Agreement (SLA) the Council is liable for such costs, which vary depending on the actuarial review that takes place every three years. This cost will need to be considered as part of any future plans.

#### Assessment of Performance Against 2020 Outcomes Framework

- 4.9 NPSB has contributed towards 7 of the Council's 2020 outcomes and 2 of our One Council priorities. The key outcomes which they have supported are:
- 4.10 ***Thriving and Vibrant Economy*** - *create more and better jobs and good business growth; increasing skills to get more people working; develop a vibrant town centre; create more and better housing:-*  
NPSB employ 98 employees including 10 apprentices. 73% of the workforce lives within the Barnsley area and they support 38 jobs in the local supply chain. NPSB has supported the development of a vibrant town centre and contributed to the creation of more and better housing by providing services such as Quantity Surveying and Architects Professional Services. They are also developing their own affordable housing projects. NPSB actively supports its workforce in training and development, supporting 26 members of staff to achieve professional qualifications.
- 4.11 ***People Achieving Their Potential*** - *every child attends a good school:*  
NPSB has helped create and maintain school environments through the design, maintenance and repair of schools on behalf of the Council.
- 4.12 ***Strong and Resilient Communities*** – *people volunteering and contributing towards stronger communities; protecting the borough for future generations by recycling and using renewable energy:-*  
NPSB has supported volunteering and contributed towards stronger communities, protecting the borough for future generations, through various corporate social initiatives. This has included providing over 100 hours of volunteering to maintain community centres and the Trans Pennine Trail, the provision of pro-bono work to local groups, along with various sponsorship to local charities such as the Civic and the Cooper Art Gallery. NPSB has also received Eco Star recognition for its fleet vehicles.

## Assessment of Performance Against the Key Performance Indicators (KPIs) in the Service Level Agreement (SLA)

- 4.13 This has shown that NPSB performance against the targets set has been generally acceptable with the main area of concern being the delivery of the Planned Maintenance Programme.
- 4.14 NPSB is responsible for the delivery of the annual Planned Maintenance Programme on behalf of the Council, for which they are paid an annual management fee. Approximately 70% of this programme is tendered to a third party by NPSB on behalf of the Council, and the remainder is undertaken directly by NPSB (Construction) under the agreed 'exclusivity' rights. Over time the scope and objectives of the Planned Maintenance Programme has shifted significantly. For example, the annual value of the planned maintenance work in 2017/18 is £1.466m as opposed to the £850K on which the management fee was originally based.
- 4.15 The responsibility of NPSB has increased exponentially without a relative increase in budget supporting the additional resource required to manage and deliver against the Planned Maintenance Programme. Their performance in delivering this element of the service has also been below average and they consistently underspend against the available budget (15/16 – 80% spent, 16/17 – 57% spent, 17/18 61% spent by end January). It is recognised that there needs to be an improvement in processes to support better delivery of this programme. Alongside this, the changes as stipulated in Recommendation 4 (in par 8.1 below) should bring improvements in this underperforming area.
- 4.16 A review of the relevance of the current KPIs has taken place which has identified there are weaknesses with the KPIs as they are more actions as opposed to measures.
- 4.17 A number of recommended changes have been put forward to NPSB who are working to implement these. The key changes relate to incorporating additional financial KPIs, for example business growth, profit margins, tender success rate and direct expenditure within the Barnsley area. The KPIs also need to align to their business plan. The changes will provide a more detailed understanding and demonstration of business operations, which in turn will allow more robust challenge and improved decision making.
- 4.18 There are also concerns about the process for obtaining customer feedback and the recording of compliments/complaints. These are as follows:
- (i) Surveys are generic, and are the same questions and format for both Works and Professional Services. This does not enable the business to focus on different aspects of a customer's experience over time and also highlights a missed opportunity to specifically target questions where recurring trends have been identified.
  - (ii) NPSB handle the questionnaire themselves rather than an independent organisation, this results in customers feeling uncomfortable about being critical to maintain relationships.
  - (iii) There have been difficulties achieving a representative sample across all of the areas that NPSB work in.
  - (iv) There is a tendency to focus on the positive outcomes.

## Analysis of Performance in Relation to Operations, Efficiency, Innovation and Risk Taking

- 4.19 NPSB are aware of the austerity challenge and modernisation agenda faced by the Council. In response, they have made some service improvements such as the recent restructure to re-align business support and reduce overheads, as well as the introduction of an Account Manager for Construction. There is however a need for a review of the structure of NPSB to ensure they make the best use of their internal resources, giving consideration to the changing workload and customer base, whilst ensuring they continue to align to the Council's corporate priorities. This should result in more effective and efficient service delivery for the Council.
- 4.20 Recommendation 4 (in par 8.1 below) outlines the elements NPSB needs to consider to deliver efficiencies in core services and in proposing alternative delivery methods.

## Assessment of Partnership Management and Service Access

- 4.21 There are currently two helpdesks for facility management requests. One helpdesk sits within the Assets Business Unit and deals with building related issues such as room bookings, minor repairs and travel/hotel bookings. The second helpdesk sits within NPSB and deals with all property related requests, including diagnosis and screening.
- 4.22 The current process for requesting work does not provide sufficient challenge at the point of request to ensure spend is appropriate. Additionally, under the current process it could be viewed that NPSB has no incentive to secure value for money as they receive a finance and contract administration fee of 5% where subcontractors are appointed.
- 4.23 Currently for reactive jobs the scope of works is not specified for NPSB (Construction). For planned maintenance works there are occasions when agreed specifications are varied by NPSB (Construction) without client agreement. These processes prevent the opportunity to appraise options and address budget implications. Having all work specified and authorised through the Facilities Management Team will prevent this.
- 4.24 Reducing to one helpdesk would allow this challenge to be made in addition to simplifying access to the service. The helpdesk would be managed by the existing Facilities Management Team within the Assets Business Unit. They would be responsible for authorising all work and establishing a scope of work and price/budget limit for the work before it was undertaken by NPSB, and to also approve variations. This gives the opportunity to appraise options, address budget implications and ensure value for money.
- 4.25 Consideration needs to be given to any TUPE implications this may have with regards to the staff who currently manage the helpdesk within NPSB.
- 4.26 NPSB also uses the Council's SAP system for recording and charging of jobs undertaken on the Council's behalf. There is a heavy reliance on manual input resulting in 'human error' in some cases, which leads to both errors and delays in charging.
- 4.27 In addition, the detail of work carried out is often unclear and does not, for example, record repairs to components which persistently fail which would enable proactive decision making around planned replacement rather than reacting in the event of a failure. Poor information also makes value for money assessments difficult as it is not always possible to identify what work has been undertaken.

## YORtender

- 4.28 Currently NPSB is responsible for various activities in relation to the Yortender System which is used for processing tenders and quotations for goods and services.
- 4.29 At the time of the initiation of the contract, the Council did not have sufficient, suitably experienced resource available to manage the provision in house. The Council has since embarked on developing a new Commercial Strategy and as part of that has invested heavily in the creation and development of a new centralised procurement function in 2016. As a result, and whilst there are no issues with the performance of NPSB in managing the YORtender System, the Council now has the resource and the capability to undertake this requirement in-house. Consideration needs to be given to any TUPE implications this may have with regards to the staff who currently manage the YORtender System within NPSB.

### **5.0 Assessment Using The 'Compare' & 'Compete' Principles**

- 5.1 A benchmarking report analysed the split between Professional Services (split between a time charge fee [based on an hourly rate] and a fixed fee [based on a percentage of the total contract value]) and Construction (works) Services. Benchmarking data was used from 3 different sources: NPSB; Mirza and Nacey Research Services for Professional Services; and the Chartered Institute for Public Finance & Accountancy (CIPFA) for Construction Services. In addition, attempts were made to undertake some in-house benchmarking; however, we have been unable to clearly demonstrate whether the JV offers value for money.
- 5.2 Key messages from the benchmarking exercise are as follows:
- (i) NPSB benchmarking on Professional Services is not a true like for like comparison. Other sources do not include for 'profit-share' received from NPSB, social value and their corporate social responsibility (CSR) contributions; inclusion of travel expenses and disbursements in their rates; and the fact that the majority of NPSB staff are former BMBC staff with legacy terms and conditions to honour. It has therefore been disregarded;
  - (ii) NPSB charge a flat rate for 'time charge' fees across all Professional Services disciplines (something that was carried across from Barnsley Council when the JV was created). Again, this is not a like for like comparison with Mirza and Nacey data;
  - (iii) Quantity Surveying fees have been benchmarked which shows scope for potential savings in the region of 18% according to Mirza & Nacey;
  - (iv) NPSB do not adjust their 'fixed fee' percentages to reflect the different market sectors which they work across, therefore again not a true like for like comparison with the Mirza & Nacey data available;
  - (v) Quantity Surveying fees have been benchmarked as far as possible for 'fixed fee' percentages which show NPSB fees are on average 13% higher than the industry average for contracts below £1M across all sectors. However, they are below industry average for values above this threshold;
  - (vi) NPSB mechanical and electrical (M&E) fees are charged at a percentage of the total contract value, whereas Mirza and Nacey report M&E fees based on the percentage of the value of M&E works only;
  - (vii) Construction Works have proven the most difficult area to benchmark, partly due to difficulties sourcing comparators, and also due to the lack of transparency and inconclusive data; this is evidenced through the CIPFA benchmarking. It should be noted however, that the annual Association for Public Service Excellence

(APSE) benchmarking regime (a second benchmarking source) recognises NPSB (Construction) as a 'Best Performer' in the category of building maintenance.

- 5.3 There have been instances where the Client Team have received quotes for work from NPSB Construction and have considered them to be high. The contract is silent on what recourse there is in such an instance.

## **6.0 Assessment Using the 'Consult' Principle**

- 6.1 The Assets Business Unit has undertaken an independent consultation with customers who use NPSB. The 12 main BMBC and Berneslai Homes users of NPSB services were targeted, and responded to the consultation.

- 6.2 Through responses to the strategic questions, it is established that internal BMBC services have good knowledge of NPSB and the wider benefits they bring to the organisation. This reflects their high profile, and the established relationships that the Managing Director maintains with many senior officers within the Council.

- 6.3 The operational feedback for NPSB is split between Professional Services and Works as follows:

### Professional Services

- 6.4 The design and procurement services are generally praised as providing a 'good' service. There are occasional frustrations about timely delivery of projects, and the fact that sometimes delivery is 'last push'.

- 6.5 In terms of cost, services are unaware of benchmarking data around fees, demonstrating how NPSB compare with other organisations. This has left some Council staff unclear about whether they are getting value for money from this service; hence the slightly lower score in this area.

- 6.6 The majority of respondents would use the Professional Services by choice, and not just because they have to. Reasons given for this are because it is easier due to the close proximity of the team, their familiarity with Council processes and the fact that there is no need to go through a procurement exercise. Most consultees stated that the end product is good, but the process to get there is where the problems lie.

### Works

- 6.7 With regard to the Construction Works (repairs and maintenance) Service, the ordering process through the NPSB property helpdesk is highly scored. However, once the job progresses beyond that initial stage, it can seem to go into a 'black hole' with poor communication, resulting in services often having to chase NPSB for a progress update.

- 6.8 The exception to this is cyclical and emergency repairs – delivery in these categories of repairs is highlighted as 'good'. NPSB report on response times as part of their suite of KPIs. However, NPSB has also been asked to report on the time to complete jobs and, whilst they have begun to record the necessary information to report on this, it has highlighted issues which lead to inconsistencies in the way data is recorded. This means that there is some work to do before the report can be a reliable measure.

- 6.9 A lack of a Construction appointment system was also noted as a frustration, with operatives arriving at sites without prior notice. NPSB has since introduced an

appointment system, and feedback from services will be gathered following a sufficient trial period.

- 6.10 The mechanical/heating engineers (Construction) were also identified as a particular area of 'weakness', with jobs often taking a long time/many attempts to complete.
- 6.11 Cost is also identified as a 'weakness', with a general perception that costs are high. Some services have validated this opinion by testing the market when quotes were considered excessive, and have confirmed that considerable savings have been made in some cases.
- 6.12 A key point requiring further investigation is that all respondents claim to have never been surveyed by NPSB relating to construction works. This is inconsistent with the information provided by NPSB.

## **7.0 Conclusion of the Review**

- 7.1 The review concluded that overall this partnership arrangement has been successful in creating jobs and providing property services to the Council. It has also supported the Council's Outcomes Framework particularly in regard to providing apprentice opportunities and supporting the growth of the local economy. The recommendations made after the review should ensure continuous improvement.
- 7.2 However, the review has also identified a number of key areas which require action in order to improve the quality and value of services provided to the Council. There is potential for some cost savings through pricing reviews and better ways of working. There are also improvements that need to be made operationally to allow for more efficient ways of working.
- 7.3 From a cost point of view it has been difficult to assess whether the contract does clearly demonstrate value for money, further work needs to be done in this area. However, in relation to Construction Works, as referred in section 6.11, adhoc internal BMBC market testing by individual Council services has proven that NPSB does not represent value for money on cost. Due to issues identified in relation to professional fees we are not able to conclude if such fees are value for money without further work being completed as proposed within the recommendations.
- 7.4 From a quality point of view, standards are inconsistent across all areas, with the greatest area of concern being construction works.

## **8.0 Future Plans & Challenges**

- 8.1 The implementation of the following recommendations and service improvements over the next 12 months should address concerns raised as a result of the review and allow value for money to be clearly demonstrated:

### **Recommendations**

1. Re-write the original aims of the Joint Venture Agreement to ensure that the joint venture supports the achievement of the Council's Outcomes Framework and the Council's role in enabling the community;
2. Review the scope of service and information provided in relation to the management of the Planned Maintenance Programme. NPSB to then improve their

management of the programme in line with this revised scope. If they fail to deliver the full programme within the financial year (unless exceptional circumstances are agreed with the client) the management fee will be reduced pro-rata based on the percentage of works completed;

3. That BMBC and NPSB carry out a joint exercise to obtain customer feedback over a period of six months, which may involve commissioning an independent third party;
4. NPSB to be more pro-active in delivering efficiencies in core services and in proposing alternative delivery methods through the consideration of:
  - a. Better use of technology;
  - b. Agile working;
  - c. Challenge working practices;
  - d. Innovation;
  - e. Supply chain;
  - f. Ensuring all sub-contracted works deliver value for money;
  - g. Grouping together of jobs to reduce costs and travel time;
  - h. Better use of resources;
  - i. Value for money.
5. Reduce the percentage margin that NPSB charge on sub-contractor work from five percent to three percent;
6. Ensure that all sub-contractors are appointed using a tendering process in line with BMBC's contract procurement rules, demonstrating value for money;
7. The creation of one helpdesk within the Council to deal with all facility management requests, and agreement with NPSB on a performance protocol, in line with the principles of the Property Repairs & Improvement Partnership (PRIP) (Barnsley Council's repairs and maintenance contract with Berneslai Homes Construction Services and Kier Services Ltd.);
8. That responsibility for activities relating to the YORtender System is transferred from NPSB to BMBC and is managed by the Strategic Procurement Function;
9. NPSB to review and split their Professional Services fee charges to reflect the different professional disciplines and market sectors, and source Professional Services benchmarking data collaboratively with BMBC;
10. That the Council reserves the right to obtain comparable quotations for construction works where quotes are not considered to be value for money, and to award the work to others if they provide better value;
11. That if the recommendations and service improvements listed in this review are not satisfactorily implemented within a twelve month period that exclusivity will be removed from the underperforming areas of work (currently identified as areas of Construction Works);

#### Service Improvements

12. NPSB to provide segment reporting as a matter of course at least annually, to allow assessment of the performance of different work areas within NPSB to support decision making;

13. To strengthen the financial information provided in the business plan, to allow more robust challenge and scrutiny of financial performance and support decision making;
14. NPSB to state in their annual business plan how they will contribute to the Council's 2020 Outcomes Framework;
15. Implement the outcome of the review of key performance indicators to include reporting on delivery times against the programme for Professional Services;
16. NPSB to continuously review their methodology for both recording complaints/compliments and assessing customer satisfaction, ensuring a representative sample of clients;
17. NPSB to improve the use of the SAP system to support the pro-active management of assets, eliminate charging errors and inform value for money assessments;
18. NPSB to improve the data provided for Professional Services time charging to allow transparency. Also, to review time-charge 'operative' rates embedded in the SAP financial management system to ensure they are sustainable and in line with market rates identified through the CIPFA benchmarking exercise;
19. NPSB to improve the transparency of data provided in relation to job costing for construction works to allow the Council to properly challenge, scrutinise and assess value for money – this will also be improved through Recommendation 1.

## **9.0 Invited Witnesses**

9.1 The following witnesses have been invited to today's meeting to answer questions regarding the review of NPSB:

- David Shepherd, Service Director - Economic Regeneration
- Neil Copley, Service Director - Finance
- Mike Rawlins, Partnership & Shared Service Manager - Economic Regeneration
- Councillor Roy Miller, Cabinet Member - Place
- Karen Temple, Managing Director - NPS Barnsley

## **10.0 Possible Areas for Investigation**

10.1 Members may wish to ask questions around the following areas:

- Looking ahead, what is the greatest risk you foresee in relation to the sustainability of the Joint Venture Company and where does responsibility for this risk lie?
- What existing areas of good practice can be developed and replicated elsewhere to improve future service delivery and customer satisfaction?
- When and how will you know whether the agreement is offering value for money?
- Given the rapid change in requirements, how will you ensure that the agreement is constantly fit for purpose?

- How do you plan to ensure equity between the performance and the quality of construction work done on behalf of the Council compared to that for external clients?
- Which of the recommendations and improvements are 'quick wins' and could significantly improve the service in a short space of time?
- In your opinion, does the evidence point to expectations and targets having been set too high or is the service underperforming?
- How does the performance in Barnsley compare to those in other authorities that have joint venture agreements with the NPS group?
- How are disputes between the two parties mediated?
- What consultation processes do you plan to introduce to gauge the satisfaction of all customers to ensure that responses are fully representative?
- To what extent have NPS Barnsley employees been involved in the review and consulted on the proposed changes?
- What actions could be taken by Members to support the continued improvement of the service?

## 11.0 Background Papers and Useful Links

- Background Papers in relation to the review are available upon request.
- Barnsley MBC Corporate Plan - <https://www.barnsley.gov.uk/media/4264/corporate-plan-2017-20.pdf>

## 12.0 Glossary

APSE	The Association for Public Service Excellence
BMBC	Barnsley Metropolitan Borough Council
CIPFA	Chartered Institute for Public Finance & Accountancy
CSP	Corporate Social Responsibility
HRA	Housing Revenue Account
JV	Joint Venture
KPI	Key Performance Indicator
M&E	Mechanical & Electrical
NPS(B)	Norfolk Property Services (Barnsley)
SLA	Service Level Agreement
TUPE	Transfer of Undertakings (Protection of Employment)

## 13.0 Officer Contact

Anna Marshall, Scrutiny Officer, 2<sup>nd</sup> July 2018