

CABINET	AGENDA ITEM No. 10
20 June 2022	PUBLIC REPORT

Report of:	Cecilie Booth, Director of Resources	
Cabinet Member(s) responsible:	Councillor Andy Coles, Cabinet Member for Finance and Property	
Contact Officer(s):	Cecilie Booth, Director of Resources	

AGREEMENT TO TERMINATE THE COUNCIL'S AGREEMENT WITH NPS PETERBOROUGH LIMITED IN RELATION TO PROPERTY AND ESTATE

RECOMMENDATIONS
<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> 1. Agrees to terminate the Council's agreement with NPS Peterborough Ltd in relation to property and estate management services by giving twelve months' notice. 2. Notes that alternative arrangements for delivery of property and estate management services will be put in place within the twelve month period. 3. Delegates to the Director of Law and Governance in consultation with the Director of Resources the authority to issue notices and take all other steps necessary to give effect to recommendation 1 above.

1. PURPOSE AND REASON FOR REPORT

- 1.1 The report is presented to Cabinet to recommend that the Council gives notice to terminate the agreement with NPS Peterborough Limited.
- 1.2 This report is for Cabinet to consider under its Terms of Reference No 3.2.17, '*Cabinet will be responsible for the following functions in relation to the Council's companies, partnership and charities; (b) The decommissioning/winding up of existing companies, partnerships and charities*'.
- 1.3 With the approval of the Chair of the Growth, Resources, and Communities Scrutiny Committee, the urgency procedures have been invoked to suspend the requirement to publish the decision on the forward plan for 28 days. The consideration and call-in period remain in place. This procedure has been invoked to enable the 12 months' notice to start at the earliest opportunity, with delay to September Cabinet considered detrimental to future service provision.

2. BACKGROUND AND KEY ISSUES

- 2.1 The Council entered into a services agreement with NPS Peterborough Ltd on the 8th July 2016 for a ten year period with an original contract value of c£1.5m per annum and provisions to review the contract value on an annual basis following the submission to the Council of a detailed business plan.
- 2.2 NPS Peterborough Limited is a 50:50 joint venture company controlled by the Council and Norse Consulting Group Limited, part of the Norse Group controlled by Norfolk County Council.
- 2.3 The purpose of NPS Peterborough Ltd was to deliver the Council's estate management, commissioning, facilities management and energy billing; absorbing work which had been placed in contract with either Serco Limited or Amey Limited and some internal strategic property and external consultancy for strategic property projects. The services delivered under this contract are split between core and additional.
- 2.4 Core services provided by NPS include:
- Property Inspection
 - Lease Acquisitions & Management
 - Estate Management
 - Licences and consents
 - Rent Reviews
 - Income Management
 - General Valuation & commissioning
 - General Property Advice
 - RTB advice
 - NNDR and Rating advice
 - Premises and FM Management
 - Tech Forge updating
 - Client agent /management of billing
 - Initial feasibility advice on projects
 - Assets of Community value
- 2.5 Additional cost services include:
- Project and Programme Management – minor and major council works
 - Annual Asset Valuations
 - Third Party contract office FM services
 - External consultants including valuations (at 6% on cost charge)
- 2.6 The Council receives a 50% profit share in the form of a volume discount annually. The Council's Shareholder Cabinet Committee approves the annual Business Plan. The joint venture board meets quarterly. There are five Board Directors; two each are nominated by each partner with the fifth director being the jointly appointed Operations Director.
- 2.7 NPS Peterborough Limited has a staffing level of 21, 13 of whom are wholly dedicated to Council activity . NPS is holding a number of vacancies at present pending review.
- 2.8 The contract core work includes property relating work for Resources and the Place & Economy Directorate with other property work commissioned directly by services – amounting to between 25-40% of the value of the core contract over the years. The fragmented arrangement was one of the reasons the joint venture company was

established, but that issue has not been addressed through this arrangement or internally by the Council. The Council pays additional fees for non core work and a 6% fee for external valuation or consultancy.

- 2.9 The core fee for NPS services has remained fairly static over the six year period of the contract at c£1.1-£1.2m with additional work over ranging over time, currently planned at c£250k. What the Council actually pays is reduced with the volume discount / profit share.
- 2.10 The termination clause in the contract with NPS are as follows:
- Standard clauses re: insolvency, material breaches, bankruptcy, dishonesty
 - Terminate on the day immediately preceding the day of the tenth anniversary (2026)
 - Either party can give not less than 12 months' notice for any reason
 - Either party proposes service changes that cannot be agreed, allowing the proposing party to terminate the contract giving 12 months' notice
 - Company proposed staffing changes to the extent the services cannot be reasonably be delivered
 - The Teckal exemption no longer applies, unless the council reasonably believes the exemption issue can be remedied, it can terminate the contract forthwith.
- 2.11 The Council asked CIPFA to carry out a review of companies including NPS. This review has been completed and the executive summary is attached as Appendix A. This considered a number of options and recommended that the Council considers terminating the current arrangement.
- 2.12 The primary reason for termination is so that the Council has better corporate oversight and control of its property portfolio and asset management planning, including its disposals strategy. The Council has no internal property expertise or capacity and has not been in a position to client the joint venture contract effectively. The Council's arrangements for property are fragmented with the Corporate Director – Resources not having oversight of all aspects of the Council's assets. As a result, there is a lack of co-ordination and a lack of any corporate approach to managing the Council's property assets that brings together the Council Directorates with responsibility for property functions.
- 2.13 The joint venture has not reduced the fragmentation of delivery. Some of the services provided by NPS have been added in because at the time there was nowhere else to put them, but as a whole this has resulted in fragmentation and a lack of coherence in particular on the facilities management side.
- 2.14 The next step will be to determine how the services currently provided by NPS will be delivered in the future, whether internally or through other formal of external contracts or frameworks. Some of the facilities management related services can more quickly be absorbed back into Council delivery whilst the strategic and professional property service will be subject to future decisions about arrangements. Meanwhile it is intended to establish a core strategic property function for the Council to ensure that the Council is able to manage its property portfolio in the future.

3. ANTICIPATED OUTCOMES OR IMPACT

- 3.1 The outcome of the review and the termination of the contract will be to allow the Council to reorganise the way in which it manages its property portfolio and will ensure that the Council has the right level of corporate oversight in relation to property decisions and strategic asset management planning.
- 3.2 The NPS team is small and the implications of the termination, including TUPE, will be worked through with them over the coming twelve months.

4. REASON FOR THE RECOMMENDATION

- 4.1 The joint venture arrangement with NPS was established in 2016 as a way to provide a more focused property service following previously outsourcing of some of the property functions. The arrangement has left the Council with a gap in terms of its strategic property and asset management planning, and has not reduced the fragmentation of delivery. Some of the services provided by NPS have been added in because at the time there was nowhere else to put them, but as a whole this has resulted in fragmentation and a lack of coherence in particular on the facilities management side.

5. ALTERNATIVE OPTIONS CONSIDERED

- 5.1 The CIPFA review considered the alternative options as below:

Option 1: Do nothing - this option was considered in the CIPFA review and not recommended as there are fundamental issues relating to the structure of the contract that mean the Council should not continue on the current basis.

Option 2: Improve the existing arrangements - this option has been considered in the CVIPFA review and is not recommended due to the significant level of change required and the need in any case for the Council to re-establish its own internal strategic property function.

Option 3: Serve notice to end the NPS Joint Venture and make alternative arrangements for the services currently provided by NPS - this option is recommended in the CIPFA review and in this report. This option will allow the Council to establish an appropriate internal structure to manage its property portfolio more effectively and will allow the Council to decide in coming months which services could continue to be provided by external arrangements. This option allows for a potentially new relationship with external providers potentially including NPS.

6. CONSULTATION

- 6.1 None required although CIPFA report was prepared after consultation with Council officers and NPS.

7. IMPLICATIONS

Financial Implications

- 7.1 The current cost of the core NPS contract is budgeted at a net £0.85m, plus £0.1m for a client function.

It is too early to indicate any potential costs or saving arising from new arrangements which will need to be put in place. There are likely to be additional staffing costs during the transitional period to be managed in year, and there will be financial implications arising from any TUPE requirements. Budget proposals for 2023/24 and beyond will take account of the costs of the new service design compared to the existing budget envelope.

The need to make savings on Council property is a key part of the MTFS and this will be included in proposals for new arrangements to be brought forward in due course.

Legal Implications

- 7.2 The Council is able to terminate these arrangements by giving 12 months' notice to NPS Peterborough Limited in accordance with the terms of the services agreement between The Council and NPS Peterborough Limited dated 8 July 2016.

The contract termination will trigger termination of any licences granted by the Council to NPS Peterborough to occupy Council premises for the purposes of delivering the contractual services.

It is likely that the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) will apply to qualifying employees of NPS Peterborough Limited on expiry of the notice period and transfer of the services to any future service provider(s).

In due course the joint venture partners may determine that the corporate entity of NPS Peterborough Limited is no longer required and should be dissolved.

Equalities Implications

- 7.3 No specific implications arising from this report.

Carbon Impact Assessment

- 7.4 No specific implications in this report.

8. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- 8.1 Cabinet March 2016
[8. Future Delivery of Property Services.pdf \(peterborough.gov.uk\)](#)

9. APPENDICES

- 9.1 Appendix 1: CPIFA review of NPS: Executive Summary

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