

North Lanarkshire Council

Report

Enterprise and Housing Committee

Agenda item 2 approval noting Ref BL/KH/GS Date 10/05/2018

Mears Year 8 Best Value Review

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Executive Summary

The purpose of this report is to detail the findings of the joint Service Review undertaken in year 8 of the strategic partnership between the Council and Mears Ltd to determine whether acceptable levels of service delivery are being achieved by the Limited Liability Partnership vehicle formed to deliver the Council's Housing and Corporate Property Repairs and Maintenance Service. The review also considered whether an extension to the contract beyond January 2021 would be of benefit to the council.

Recommendations

It is recommended that Committee:

- (i) Note completion of year 8 Joint Service Review of the Mears LLP strategic partnership;
- (ii) Note the high levels of service delivery currently being achieved across the partnership;
- (iii) Agree for the contract to come to its natural end in January 2021, without the uptake of a contract extension;
- (iv) Approve additional sum of £55m until the end of the contract at January 2021; and
- (v) Approve the attached improvement plan to strengthen current service delivery arrangements with Mears LLP in the interim.
- (vi) Grant permission to procure consultants as discussed in 2.28 of this report.

Supporting Documents

Council Business Plan to 2020	The review supports " <i>Improving the Council's resource base</i> " and contributes directly to the following actions: <ul style="list-style-type: none">• Rationalise our approach to managing resources across the Council and external bodies in a systematic manner that includes communities, partners and commercial enterprises in the solutions; and,• Ensure our ALEOs and trusts achieve value for money.
Appendix 1	Mears LLP Improvement Plan
Appendix 2	Timescales for Agreeing and Implementing Future Service Delivery Model

1. Background

Partnership Formation and Objectives

- 1.1 In 2010, Morrison Facilities Services Ltd successfully bid to become the Council's strategic partner to deliver housing and corporate property repairs over a ten year period. The contract commenced on 21 January 2011. Mears PLC subsequently bought Morrison Facilities Services Ltd from Anglian Water as a going concern, so now own the 67% shareholding in the Mears Scotland LLP (Mears) strategic partnership and the inherent North Lanarkshire service contract. North Lanarkshire Council owns the remaining 33% of Mears Scotland LLP.
- 1.2 In creating the LLP, the Council believed this new partnership would secure local employment, source local supplies and services, and ultimately secure continuous improvement in the repairs services delivered to North Lanarkshire residents. By providing freedom to operate commercially, the Council envisaged annual business growth of 5% per annum would deliver increased income streams to both partners.
- 1.3 A Management Committee consisting of representatives from both Mears and North Lanarkshire Council is responsible for the LLP's governance, which includes operational delivery and management, staffing, financial control and reporting, health & safety, performance monitoring and risk management. The Management Committee, which meets quarterly, consists of one Council officer, one Elected Member and up to 4 Mears representatives.
- 1.4 In addition to Management Committee oversight, the LLP's client-related performance is considered by the Enterprise & Housing Committee, and the ALEOs and External Bodies Monitoring Sub-Committee also ensures the LLP is delivering services which support the Council's business planning priorities.

Year 8 Review Service Review Requirement

- 1.5 As per the Works Agreement (Clause 18.5), Service Reviews are required to be carried out jointly at year 4 and 8 of the strategic partnership. The year 4 review was successfully completed in 2014 and resulted in some variations to the works agreement in relation to the Best Value Efficiency Savings (BVES) model and other matters. The year 8 review commenced in January 2018, and was completed in April 2018.
- 1.6 In addition to reviewing the agreed key performance indicators, as per 18.5.2 of the Works Agreement, the Employer is also entitled to consider the following categories, in order to determine whether suitable service delivery levels have been attained:-
 - a) The results of any benchmarking comparisons;
 - b) The Service Provider's performance against relevant Scottish Government Performance Indicators;
 - c) Accepted and outstanding insurance claims;
 - d) Performance under any other of the Service Provider's material obligations under this Agreement;
 - e) Customer satisfaction;
 - f) The results of consultation with Employees;
 - g) Analysis of existing management information;
 - h) Any other relevant information relating to service delivery; and
 - i) The Service Provider's compliance with the Quality Standards.
- 1.7 In order to fully assess this criteria, review activity was completed over five key stages - scoping, analysis, assessment, findings and recommendations, and this structure complies with the Council's approved review programme methodology (Transformation Committee, September 2016). The review was carried out by a multi-disciplined review

team, led by the Head of Business (Housing Property and Projects), supported by functional representatives from both the Council and Mears LLP.

- 1.8 Elected Members and other key stakeholders, including Trade Unions; North Lanarkshire Federation for Tenants and Residents Associations; as well as key clients across the Council and its ALEOs, were invited to feed into the review process to provide their views on the partnership delivery arrangements, in particular any issues or concerns they had about the cost or quality of service provision.
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2. Report

Review Findings

- 2.1 The review processes described above were thorough and extensive, involving the review of all related partnership performance reports over the past 3 years (financial and operational), as well as a range of other related documentation. Using a Red, Amber or Green (RAG) assessment methodology, the review team evaluated and assessed the extent to which the partnership model is meeting its objectives; and, how the LLP is currently performing.
- 2.2 Overall, the findings were positive with evidence of good governance arrangements, high performance levels and substantial evidence of the LLP delivering wider community benefits.
- 2.3 The review also highlighted however, a lack of a medium term business plan and associated financial plan for the LLP to demonstrate sustainability to the end of the contract.

Council Vision and Strategic Aims

- 2.4 The Council's Service Level Agreement with Mears requires the LLP to not only deliver satisfactory service performance, but also to deliver a number of additional benefits to support the priorities within the Council's Business Plan to 2020. For example;
- The Mears apprenticeship programme and use of local suppliers helps contribute towards "improving economic opportunities and outcomes";
 - Housing improvements and adaptations, as well as the 'Safer Homes' service helps to "improve the health and wellbeing and care of communities";
 - School work experience placements and attendance at recruitment fairs helps to "support children to realise their potential";
 - Mears also run various community apprenticeship projects and sponsor the annual housing tenant's conference and key sporting events, which helps to "improve relationships with communities and the third sector"; and,
 - The LLP "improves the council's resource base" by leasing fleet from NLC Transport, property from North Lanarkshire Properties LLP, and archive and storage services from North Lanarkshire Industries. A "volume discount", also gives the Council a 6.28% return on the value of relevant works awarded through the partnership.

Governance and Risk Management

- 2.5 As detailed in section 1.3 above, the LLP has sufficiently robust governance arrangements in place with regular contract liaison meetings to monitor performance, risks, customer complaints and satisfaction levels. The LLP's risk management and reporting arrangements are routinely considered by the Management Committee to ensure any impact on service delivery, and therefore Council reputation, is minimised.

Financial Performance

- 2.6 The LLP has achieved the Council's envisaged financial expectations over the past 3 years, with Best Value Efficiency Savings (BVES) having been delivered as set out in the 2014 Minute of Variation Agreement. The LLP has also achieved an annual business growth of 5%. As noted in section 2.3 however, there is an outstanding requirement for the LLP to detail its operational & financial delivery into a formal business plan to cover the remaining period of the contract.

Service Delivery

- 2.7 The review identified that works are carried out safely and respectfully, are legally compliant, and are conducted in accordance with the job specification, good industry practice and the relevant quality standards.
- 2.8 Mears LLP provide all labour, plant and materials necessary for the carrying out the works and monitor their resource levels throughout the year. Indeed, severe adverse weather events, such as the red weather warning for snow experienced during early March, demonstrate the LLP's ability to meet extraordinary demand.
- 2.9 All employees undergo Criminal Records Bureau (CRB) checks prior to commencing employment with Mears.

Quality Control

- 2.10 Within Housing Property there is a post inspection process in place whereby Technical Officers post inspect 10% of repairs and maintenance works, while 100% of capital and void works are post inspected. Within Non-Housing Property, all planned works are also post-inspected.
- 2.11 Mears LLP are accredited to the ISO9001:2008 Integrated Quality, Health and Safety and Environmental Management Standard.

Operational Performance

- 2.12 Key Performance Indicators (KPI's) for housing property repairs & maintenance are monitored on a monthly basis and reported on a 6 monthly basis to the Enterprise and Housing Committee. The most recent report, 15 February 2018, noted a strong ongoing improvement in performance during 2017/18.
- 2.13 Performance for corporate property repairs and maintenance is also monitored on a monthly basis via local and contract meetings, with evidence of consistently strong performance in terms of the number of jobs completed within timescale. As noted in section 1.8, clients were invited to provide their views on the partnership's performance in this area; with some comments suggesting that more feedback and general communication would be helpful in keeping customers updated on the progress of the repairs.
- 2.14 The review identified that Mears performance in respect of election duties is highly satisfactory.

Benchmarking

- 2.15 Housing property performance is compared nationally via the Scottish Housing Regulator Annual Return on the Charter (ARC). In 2016/17:
- 96.0% of reactive repairs were completed right first time, which is above the Scottish

- average of 92.4%;
- Furthermore, 96.4% of NLC tenants were satisfied with the repairs service provided, which again is above the Scottish average 90.6%.
- Completing these jobs right first time and to high standard resulted in the average time taken to complete emergency repairs being slightly longer the Scottish average of 4.9 hours compared to 4.7 hours;
- It took an average of 8.0 days to complete non-emergency repairs, which is again slightly longer than the Scottish average of 7.1 days.

Community Benefits

2.16 The Performance Monitoring Framework approved by the ALEOs & External Bodies Monitoring Sub-Committee in May 2016 considers Mears LLP's performance twice per year in respect of the additional benefits the LLP delivers. During 2016/17, this included:

- 16 Apprentices;
- 4 four week long 'Trade Tasters' in partnership with North Lanarkshire College;
- 8 work experience placements;
- 3 recruitment fairs;
- 12 community apprenticeship projects;
- Maintained a workforce which had 69% (424) of employees living within the North Lanarkshire area;
- Provided 'Safer Homes' - a free service to householders living within North Lanarkshire, which sees equipment such as door chains/viewers, window and door alarms, bath mats, carbon monoxide detectors, dusk to dawn lights, personal alarms, metal bins, fire retardant mats and stair gates being installed as safety aids in residents' homes;
- Leased office space from North Lanarkshire Properties LLP (£100k);
- Purchased archive and storage service from North Lanarkshire Industries (£6k);
- Leased 230 vehicles from NLC which are serviced and maintained by North Lanarkshire Council's Transport Division; and,
- Used 28 local suppliers, for example fuel valued at approx. £550k was purchased from local fuel suppliers.

Customers and Engagement

2.17 Mears LLP comply with the Councils Customer Care Charter and the Mears Customer Service team receive and resolve complaints in line with the Council's complaints policy and in accordance with SPSO procedure's.

2.18 As per section 2.15 above, strong customer satisfaction is evident for the housing repairs service and satisfaction for the non-housing repairs service is also positive at 97.1% for 2016/17.

Staffing, Training and Development and Health and safety

2.19 The review team identified a very positive health and safety culture within the Mears LLP, with robust policies and procedures in place. The LLP ensures that all operatives have the relevant skills and the necessary training to carry out their job safely.

2.20 The review also found that Mears provide good opportunities for their staff to inform and influence service delivery and improvement.

Options Appraisal

2.21 The service review confirms that the partnership is delivering on its key objectives, however, the year 8 Review is also required to ensure the existing delivery vehicle

remains the best option for service provision.

- 2.22 Furthermore, the existing contract includes an option to extend for a period or succession of periods not exceeding three years in total. This year 8 review therefore provided an ideal opportunity to determine whether an extension is of benefit to the Council.
- 2.23 To satisfy this remit, an options appraisal workshop was held on 11 April 2018. The risks, benefits and uncertainties likely to arise from implementing a range of options were assessed by Council Officers from the review team against the following strategic goals:-
- Alignment with the Council's Business Plan and key priorities to 2020;
 - Minimise future risks to the Council;
 - Obtain cost effective and affordable service delivery;
 - Maintain influence regarding service delivery and performance; and,
 - Obtain a trusted relationship with a proven service delivery organisation.
- 2.24 The highest scoring option was to extend the current contract beyond 2021, however the review team were unable to progress the recommendation as additional key financial data was required around forecast contract expenditure. This has subsequently been finalised and once this financial information was taken into consideration (outlined in section 3.1), it was clear that the best way forward for the Council would be to cease the contract at its natural end date of January 2021.
- 2.25 It has been confirmed that in order to conclude all forecasted kitchen and bathroom capital works within the term of the contract, circa £30m will be required to be committed during the remaining contract period. This is to ensure a seamless service for the remainder of the replacement programme and to support any next stage transfer subject to the future service delivery model (to be determined by the Council).

2018 – 2021

- 2.26 The Improvement Plan detailed within Appendix 1 summarises a number of opportunities identified through the service review, to strengthen the current partnership arrangements to ensure the best possible service for the Council through to 2021.
- 2.27 As members will recall from the Enterprise and Housing Resources re-structure report in January 2018, the council has been reviewing the future of the Customer Contact Centre and the repairs management function, taking into account the ambition relating to digitisation of services. As part of this year 8 service review, it was agreed that we should proceed with the proposal to create a new repairs programming function, managed directly by the Council. This will deliver (for the first time) a full end to end management and control of the repairs service to directly challenge remaining failure demand which primarily arises from this area of provision. It would involve the TUPE transfer for 12 employees from Mears into the Council and the implications of this are considered under section 3.2.

Future Ambition Beyond 2021

- 2.28 There is a need for the council to now start the process of deciding what future service delivery should look like beyond the current partnership delivery arrangement. As this is a high value, high risk contract, the Council intends to seek expert external legal, technical, financial and procurement input. The process will involve a detailed options appraisal and complex procurement process, therefore, permission to procure the above support is sought at this time. It is envisaged that this will include a 6 month mobilisation period prior to any new arrangement commencing. These indicative timescales are outlined in Appendix 2.
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3. Implications

3.1 Financial Impact

- 3.1.1 The total contract value of £390m was based on a number of assumptions made back in 2010. During the year 4 review it was recognised these assumptions and the proportion and volume of activity that formed the original contract were inaccurate, and this led to BVES changes to the contract at that time. Market failure and other external factors has also required the Council to issue an element of capital works through the LLP (£71m).
- 3.1.2 With less than three years remaining on the contract, the projected spend for revenue, plus some additional capital works, is estimated at £140m. This would take the total contract value at January 2021 to £445m, which requires an additional sum of circa £55m (14%). In recognising this, an extension of the contract beyond 2021 is therefore not recommended.

3.2 HR/Policy/Legislative Impact

- 3.2.1 As outlined in section 2.27, there is a proposal for the TUPE transfer of 12 employees from Mears LLP to the Council to support the full internal resource management of works. It is proposed that this transfer would take place on 1 September 2018. The cost of transferring these employees was previously outlined in the Enterprise and Housing restructure report (January 2018) at circa £400k. Subject to an agreement from Mears, the cost of this transfer will be fully offset by the LLP employing approximately 13 apprentices per annum over the remainder of the contract, creating circa 40 new apprenticeships in addition to those already successfully realised within the LLP. This requirement would be monitored through the ALEO Committee.

3.3 Environmental Impact

- 3.3.1 There are no environmental implications as a result of the review recommendations.

3.4 Risk Impact

- 3.4.1 We consider the risk of continuing to use the contract to undertake an element of capital works to be medium. This includes the projected additional sum identified to sustain the contract to its completion in January 2021. We will continue to work with legal services to ensure risks are fully mitigated and all contractual requirements are complied with in full.

4. Measures of Success

- 4.1 The review has identified that the Limited Liability Partnership vehicle formed to deliver the Council's Housing and Corporate Property Repairs and Maintenance Service is delivering on its original objectives.



Brian Lafferty
Head of Business (Housing Property and Projects)

Mears LLP – Improvement Plan

Ref:	Summary of Improvement Action	Timeframe			Responsibility
		2018/19	2019/20	2020/21	
1. Governance					
1a.	Strengthen processes to ensure the timeous receipt of monthly accounts in line with the financial governance arrangements	✓			Mears LLP / NLC Financial Solutions
1b.	Agree, through the Management Committee, a formal business plan detailing the partnerships' operational & financial aspirations through to January 2021	✓			Mears LLP
1c.	A minor amendment to be made to the contract to allow the issuing of small scale capital works through the LLP	✓			NLC Legal and Democratic Solutions
2. Service Delivery					
2a.	TUPE transfer of 12 employees from Mears LLP to the Council to create a new repairs programming function (subject to agreement from Mears that they will provide an appropriate volume of new apprenticeships in terms of like for like costs)	✓			Mears LLP / NLC Enterprise and Housing Resources
3. Community Benefit					
3a.	Continue to deliver on agreed community benefits for the remainder of the contract	✓			Mears LLP
4. Customers and Engagement					
4a.	Improve communication with customers throughout the corporate repairs and maintenance process to improve satisfaction with overall service	✓			Mears LLP / NLC Corporate Property
4b.	Continue to monitor complaints and claims via the contract liaison meetings and action accordingly	✓			Mears LLP / NLC Corporate Property / NLC Housing Property

