

North Lanarkshire Council

Report

Policy and Strategy Committee

approval noting

Ref JMCK/BL/GS

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Enterprise Contract – Strategic Procurement

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Executive Summary

Through We ASPIRE, the council has articulated an ambitious vision for change, which will revitalise our communities and accelerate the growth in economic output for the whole of North Lanarkshire. To support this ambitious vision, the council will invest in excess of £2 Billion in improved infrastructure, facilities and services over the next 10 years and we must put in place the necessary delivery mechanisms to ensure that we can continue to move at pace and meet the demands of our communities. In addition, we must ensure that the investment provided by the council provides sustainable economic growth which benefits our current and future residents, and supports our local economies.

It is proposed that we establish a strategic partnership which can provide the capacity to assist us to deliver our ambitions over the next 10 years, from initial feasibility, through design to delivery and construction, and then to lifecycle maintenance and management. This strategic partnership would ensure we can move at the pace expected, and provide the flexibility and capacity to ensure we can work with communities at locality level and ensure that we design and deliver to meet local as well as North Lanarkshire priorities.

This report seeks approval to scope and explore options for an innovative new approach to delivery for a full range of interconnected property, community asset and infrastructure investments to ensure the council delivers on its shared ambition for inclusive growth and prosperity for the people and communities of North Lanarkshire. This will potentially include the repair and investment in current and new build housing and council assets, as well as delivery of new community assets (including the campus model), infrastructure and town centre regeneration programmes.

Recommendations

It is recommended that the Policy and Strategy Committee:

- (1) Notes that initial planning has been undertaken to support the development of an Enterprise Contract:
- (2) Approves the initial stages of procurement of an Enterprise Contract for North Lanarkshire, including the consideration of potential delivery vehicle options;
- (3) Approves the procurement of appropriate specialist advice to support the procurement;

- (4) Agree for the council to publish a Prior Information Notice (PIN) to inform the market of a potential upcoming procurement exercise, and;
- (5) Instructs that reports will be provided to this committee as the procurement progresses in compliance with our Contract Standing Orders.

Supporting Documents

Council Plan Appendix 1	This report supports the delivery of all five corporate priorities. 10 Year Indicative Investment
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1. Background

- 1.1 In September 2018, the Chief Executive presented a vision that outlines the future direction for the council in terms of a shared ambition for inclusive growth and prosperity for the people and communities of North Lanarkshire. The report clearly states the ambition of *We ASPIRE* that North Lanarkshire is **the** place to *Live, Learn, Work, Invest and Visit*.
 - 1.2 The report set out a restructure of council services to ensure functions are appropriately aligned with the shared ambition, including the establishment of Enterprise and Communities which integrates the full range of functions that deliver interconnected services across the wider community environment, including enterprise, planning, housing and community assets (including schools infrastructure). The service is responsible for all land and property management, planning and delivery aspects that directly influence our wider economic growth potential.
 - 1.3 Proposals were set out for the development of an operating framework that will build upon the strong foundations laid down through the existing delivery models and further enhance alignment of, and synergies between, strategic and operational functions in order to successfully deliver on the corporate priorities of the council. Included in the proposals is the establishment of a new Community Investment Fund which will realise new resources of over £500m for direct investment to deliver our shared ambition over the next 10 years, in addition to the funding already identified for housing, schools and town centre regeneration.
 - 1.4 In recognition of the urgent requirement to resource the delivery of both this new investment and existing planned investment, work is underway to scope, develop and implement a new bespoke service delivery model which will define all our work across communities, stakeholders and partners. This innovative model will encompass all aspects of 'place shaping', from investment and design, through infrastructure provision and construction, to lifecycle management and energy provision. Ultimately, this will be the vehicle to turn the council's ambition into a reality, and will be the first model of this scale and ambition in Scotland.
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2. Report

Thinking Forward

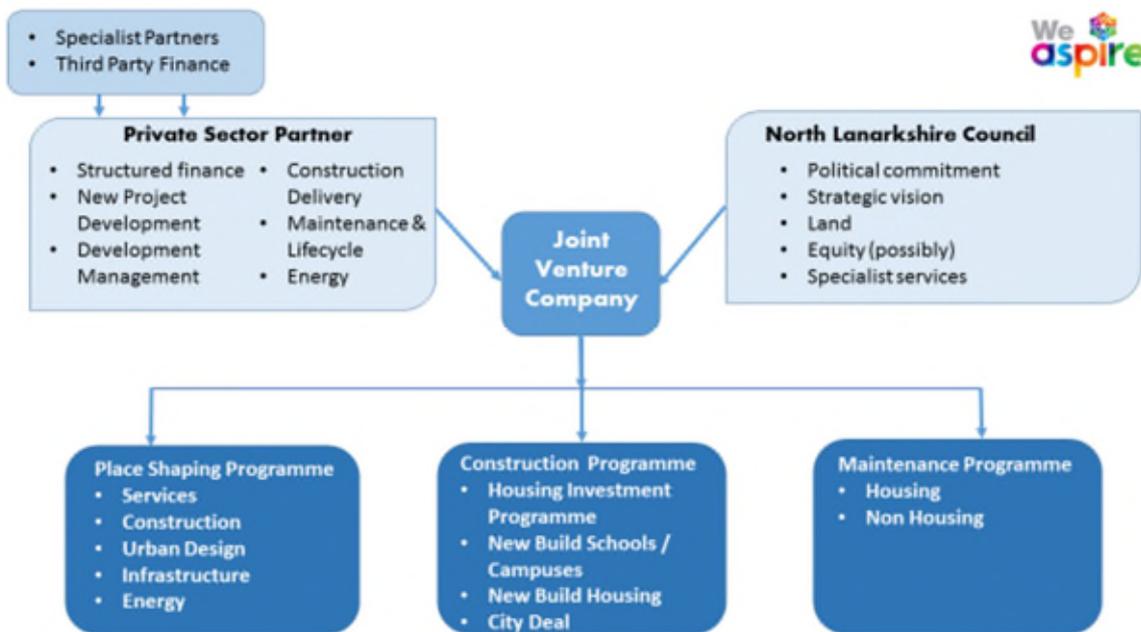
- 2.1 The *We ASPIRE* report called for open and transparent consideration of new service and partnership models to maximise the opportunities afforded by the realignment of services, and to maximise shared community outcomes.
- 2.2 An exercise is now underway to begin to scope and explore options to develop a fully integrated delivery solution for all aspects of place shaping, from investment and design, through infrastructure provision and construction, to lifecycle management and energy provision. The aim is to link together the delivery of new facilities and the regeneration and development of others, with comprehensive lifecycle management to ensure that the benefits of the regeneration and development are sustainable and enjoyed by generations to come.
- 2.3 The council has already achieved considerable success in its development, regeneration and growth agenda; the new supply programme, Glasgow and Clyde Valley City Deal and Schools and Centres 21, have all achieved considerable

successes in planning for and transforming local communities. The next step is to accelerate the pace, scale and level of innovation across these and other areas, including town centres.

- 2.4 For this, the council needs a service delivery partnership arrangement which is transformative, flexible and able to respond to the community’s changing needs over time. This will be a radical development of the contracts and partnerships we currently utilise and will potentially bring all related contracts together into a single entity with multiple partners, to enable strategic development and end to end delivery of investment priorities.

Early Considerations

- 2.5 Detailed analysis will be undertaken to understand the current marketplace, the capabilities of potential providers and how they could service any proposed future delivery model. This initial scoping exercise will build a more detailed understanding about the potential benefits of operating in different ways and start to shape ideas about what the service model could and should look like for North Lanarkshire.
- 2.6 Some initial soft market testing, including discussions with current/potential providers, has given early consideration to the establishment of a possible joint venture (JV) development vehicle between the council and one or more private sector partners, as one potential option, set out below:-



- 2.7 It is recognised that working collaboratively with experienced commercial partners could bring investment via innovative and flexible financing solutions, drawing on a blend of public and private finance, to ensure that development opportunities are realised expeditiously. This type of joint venture would move the council away from more traditional, inflexible and complex contracts to a more collaborative partnership model, providing the council with a commercial edge over other alternative delivery models.

- 2.8 In such instance, the JV would not only be an effective and efficient repairs and maintenance provider, but would also provide fully integrated urban design and master-planning capability which would ensure that they are able to work alongside the council to develop an ambitious transformation agenda for local communities.

- 2.9 The JV would have a strategic and operational delivery mandate and work collaboratively with a wide range of supply chain providers (local and national) with a clear focus on employability outcomes. A delivery vehicle of this scale will capture local people for local jobs by creating a pipeline of projects and a supply chain which has the capacity to realise and commit to increasing skills and training in their workforce, including work experience places and apprenticeships of significant scale in line with the envisaged programmes within.
- 2.10 Any such JV arrangement would be more than just a delivery vehicle, it would become a dynamic place shaping partnership, strategically aligned with the council's ambitions, and would become a leading provider of digitally enabled smart place solutions, developing innovative services and projects to address complex social, economic and commercial issues.
- 2.11 This concept, and other potential service delivery arrangements, will be explored in full detail during the coming months, with a comprehensive options appraisal exercise undertaken to fully examine and consider the best way forward for the council. The outcomes and associated recommendations will be presented to this Committee for due consideration at a future date.
- 2.12 This also provides a timely linked opportunity for the council to consider the successor arrangements for its current strategic partnerships as they approach the end of their initial contract term. Due consideration will be given to phasing in any new arrangement to ensure continuity of service provision for the people of North Lanarkshire.
- 2.13 Similarly, the duration of any proposed delivery arrangement will also be fully considered as part of the detailed options appraisal process, as a careful balance will require to be struck between the finances presently identified (as outlined in Appendix 1), and longer term financial uncertainties, while recognising that a longer term solution may be more advantageous for realising the envisaged benefits to be gained from partnership working.

Project Resource

- 2.14 A project board consisting of the following key senior officers has been established to provide the overall direction, leadership and management overview of the project:-

Chair (Senior Responsible Officer)	Head of Asset and Procurement Solutions
Vice Chair	Head of Business (Housing Property and Projects)
Board Members	Head of Business Solutions
	Head of Housing Programme
	Legal Manager
	Procurement and Support Manager
	Business Finance Manager

- 2.15 A multi disciplinary project team has also been established, made up of officers representing key service areas, as well as technical, financial, legal and procurement support to help scope, develop and implement the preferred arrangement. The project is currently being supported by the appointment of a part-time Project Development Manager (seconded on a temporary basis). As the project progresses it is likely that this will become a full-time position. In addition, a new Commercial Contracts Manager post has been created, funded from a realignment of existing budgets, to act as the overall project lead. Once in post, the Commercial Contracts Manager will review the

detailed requirements and establish a dedicated project delivery team. Further information on the structure and associated costs will be outlined in a future report.

External Advice and Support

2.16 Recognising the potential scale and importance of this project in realising the ambitions for North Lanarkshire, the council will require specialist advice and support, including:-

- market analysis and research on industry best practice and leading delivery mechanisms;
- options appraisal methodology and supporting tools (desirability/ viability/ feasibility);
- economic and equality impact assessments;
- identification for cost reduction and commercial benefits;
- lessons learned from current contracts, and;
- the procurement of the agreed delivery vehicle, which given the complex nature of the future delivery model is likely to require the use of one of the more flexible but lengthy contract award procedures such as the Competitive Dialogue Procedure.

2.17 It is difficult at this early stage to accurately estimate the total cost for external special advice and support; the potential value of the contract will become clearer on completion of the options appraisal stage of the project.

2.18 The contract will set out appropriate key milestones/break points to ensure the council has flexibility in terms of the scope and duration of the contract, for example:

Gateway 1: options appraisal complete (identifying the 'Preferred Solution');
Gateway 2: procurement of the Preferred Solution;
Gateway 3: mobilisation of the Preferred Solution; and
Gateway 4: review of Preferred Solution.

This will allow the council to continue with service provision or terminate the contract at key decision points in the project, should it be required.

2.19 The Crown Commercial Service, Management Consultancy Framework Two—Lot 2 Procurement, Supply Chain and Commercial Consultancy Services is currently being used as the vehicle to procure the external support services initially required, the outcome of which is expected to be known in early April 2019. It is proposed that the Executive Director of Enterprise and Communities, using their delegated authority, will approve the award of the contract for the consultancy.

2.20 It is anticipated, that as the project develops, further external specialist advice and support will be required, to support other professional disciplines such as Legal and Finance and this will be secured under separate arrangement as the requirements and timings become clearer.

2.21 The project will, where applicable, utilise the councils project management framework and associated methodologies and documentation.

Project Timeline

- 2.22 The project team are currently working to a detailed project plan for the appointment of external support and an extensive options appraisal, and seek to have a dedicated delivery team in place and fully functioning by early May 2019.
- 2.23 A detailed project plan for other key elements (i.e scoping, options appraisal, procurement and implementation) is being developed and will be included in future reports as appropriate.
- 2.24 It is proposed that Committee approve the publication of a Prior Information Notice (PIN) to notify the market of the council's intention to procure a new delivery vehicle for a full range of interconnected property, community asset and infrastructure investments. The notice, which would be published in the Official Journal of the European Union (OJEU), does not oblige the council to proceed with a procurement process, but informs the market that they should expect a procurement to be commenced within the next 12 months.
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3. Equality and Diversity

3.1 Fairer Scotland

There are no matters in this report which require consideration under the Fairer Scotland Duty.

3.2 Equality Impact Assessment

A full equality impact assessment will be carried out as part of the detailed options appraisal considerations.

4. Implications

4.1 Financial Impact

Appendix 1 outlines indicative revenue and capital investment over a ten year period funded from both General Fund (41%) and Housing Revenue Account (59%). The indicative investment will require to be continually reviewed to reflect the changing funding environment faced by local government, evolving council strategic priorities and wider economic factors (i.e. inflation and interest rates).

Project costs to support the procurement and mobilisation phases will be outlined in future reports.

4.2 HR/Policy/Legislative Impact

This is a major project for the council and will require a dedicated resource to ensure the effective development and implementation of a future service delivery model capable of delivering on the councils ambitions. The requirements detailed in section 2.16 and the appointment of external specialist support will ensure the project does not have a detrimental impact on 'business as usual' activities.

4.3 Environmental Impact

There are no environmental implications as a result of the above recommendations.

4.4 Risk Impact

In line with the council's project management framework, a Preliminary Risk Assessment (PRA) has been completed by members of the Project Board and Project Team. The PRA is intended to give an indication of the overall risk in the initial stages of a project.

As expected with an exercise of this scale and complexity, the project has been identified initially as significantly high risk. This will be continually monitored by the Project Development Manager as the project progresses.

5. Measures of success

5.1 The performance and success of any new service delivery arrangement will be measured in terms of the following key outputs:

- (1) Working in accordance with The Plan for North Lanarkshire, recognising how the delivery model is making an impact on the councils priority outcomes using SMART success measures;
 - (2) Wider benefits are being realised across employability, technology, regeneration and growth, and;
 - (3) Recognition in the council, across Local Government and across wider stakeholders that the service delivery arrangement is making a positive contribution to the regeneration of North Lanarkshire and the wider Scottish economy.
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Appendix 1

	Indicative Investment										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
HRA Repairs and Maintenance	40,352	41,503	42,688	43,907	45,161	46,452	47,780	49,146	50,553	52,000	459,541
General Fund Repairs and Maintenance	4,708	4,708	4,708	4,708	4,708	4,708	4,708	4,708	4,708	4,708	47,080
Total Repairs and Maintenance	45,060	46,211	47,396	48,615	49,869	51,160	52,488	53,854	55,261	56,708	506,621
HRA Capital Programme	91,211	91,211	91,211	91,211	91,211	91,211	91,211	91,211	91,211	91,211	912,112
Core Capital Programme	21,900	21,900	21,900	21,900	21,900	21,900	21,900	21,900	21,900	21,900	219,004
Community Investment Fund	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	500,000
City Deal	6,000	10,000	25,000	25,000	77,379	50,000	0	0	0	0	193,379
Total Capital Investment	169,112	173,112	188,112	188,112	240,491	213,112	163,112	163,112	163,112	163,112	1,824,495
Total	214,172	219,323	235,507	236,726	290,360	264,271	215,599	216,966	218,372	219,819	2,331,116
										General Fund	41%
										HRA	59%