

# North Lanarkshire Council Report

## Communities & Housing Committee

approval  noting

Ref BL/GS

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## Saltire Facilities Management Ltd. Year 8 Best Value Review

**From** Brian Lafferty, Head of Housing Property & Projects  
**Email** simpsongi@northlan.gov.uk **Telephone** Gillian Simpson  
on 01698 520500

### Executive Summary

The purpose of this report is to detail the findings of the joint service review undertaken in year 8 of the ten-year central heating servicing and maintenance contract (the 'Contract') with Saltire Facilities Management Ltd (Saltire Ltd) to determine whether acceptable levels of service delivery are being achieved.

### Recommendations

It is recommended that Communities and Housing Committee:

- (1) Note the completion of the year 8 best value service review of the Contract;
- (2) Note the high levels of service delivery currently being achieved;
- (3) Note that the Contract will come to its natural end in January 2021, however the council reserves the right to extend the Contract for a period of up to three years, should this be deemed to be in the council's best interests, and;
- (4) Approve the attached improvement plan to further strengthen service delivery arrangements with Saltire Ltd for the remainder of the contract period.

### Supporting Documents

**The plan for North Lanarkshire** Saltire Ltd primarily support the "Improve North Lanarkshire's Resource Base" priority within the council's Plan for North Lanarkshire.

**Appendix 1** Saltire Facilities Management Ltd Improvement Plan

## 1. Background

- 1.1 Saltire Ltd was initially formed in January 2001 following the council decision to transfer all former Direct Labour Organisation (DLO) services to public private partnerships. The company successfully delivered against the council's objectives during the initial 10-year contract. Following the completion of a competitive procurement exercise in 2010, Saltire Ltd was the successful bidder for the new central heating servicing and maintenance joint venture partnership, which commenced on 8 January 2011. The Contract has an initial contract period of 10 years with options to extend the Contract for a period(s) up to an additional 3 years. The initial contract period ends in January 2021.
  - 1.2 The council believed the new joint venture, with a total contract value of up to £143m, would secure local employment, source local supplies and services, and ultimately secure continuous improvement in the services delivered to North Lanarkshire residents.
  - 1.3 On 8 December 2016, the Policy and Resources Committee authorised a review of the Contract and shareholding in the company. The outcome of the review recommended that the council sell its 33% shareholding in the company, and this was completed in May 2017.
  - 1.4 Although no longer a council ALEO, there remained a contractual requirement to undertake a joint year 8 review to determine whether satisfactory levels of service continue to be delivered by the Contract. The review was completed over five key stages - scoping, analysis, assessment, findings and recommendations, and was carried out by a multi-disciplinary team, led by the Head of Housing Property and Projects and supported by functional representatives from both the council and Saltire Ltd.
  - 1.5 Elected Members, the North Lanarkshire Tenants and Residents Association and Saltire Ltd Trade Union representatives were invited to feed into the review process to provide their views on the service 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 Using a Red, Amber, Green (RAG) assessment methodology, the review team considered a wide range of evidence and evaluated and assessed the extent to which Saltire Ltd is meeting its contractual obligations.
- 2.2 Overall, the findings were very positive with evidence of robust management arrangements, good financial performance, excellent health and safety practices, robust staff training and comprehensive service delivery arrangements ensuring the council continues to achieve its legislative requirements.

### **Council Vision and Strategic Aims**

- 2.3 In line with the contract variation agreed during the sale of the council's shareholding, Saltire Ltd deliver a range of community benefits to support the priorities within the council's Plan for North Lanarkshire. For example:-
  - 20% of Saltire Ltd suppliers are located within North Lanarkshire, however with plumbing, electrical parts and boilers all purchased locally, Saltire's spend in North Lanarkshire exceeds 50% of Saltire Ltd total spend;
  - Saltire Ltd currently lease 65 vans from NLC Fleet Operations;

- in 2018 Saltire Ltd employed 21 new apprentices in Scotland (16 on the Contract), which when added to the existing second and third year apprentices' makes 37 apprentices in total;
- Saltire Ltd provided 12 work experience placements for 14-19 year olds (all in the Contract);
- Saltire Ltd has worked with schools and colleges participating in career guidance activities and attending recruitment fairs; and
- Saltire Ltd currently provides volunteer staff and food donations to local food banks across the area four times per year and supports various local charity events.

### **Governance**

- 2.4 Four weekly meetings are held between council officers and Saltire Ltd to review the performance and operating efficiency of both parties. The external gas safety auditor used by the council, CORGI Technical Services Ltd (CORGI Ltd), attends quarterly to report on performance and meetings were found to be recorded and actioned appropriately. Company policies and procedures are compliant with the requirements of GDPR and all required indemnities are in place.

### **Service Delivery**

- 2.5 Saltire Ltd has a staff of 231 directly employed qualified engineers, electricians, support trades and apprentices who participate in a shift working system covering 24hrs. Around 145 of these engineers/electricians are dedicated to the Contract at any one time. Saltire Ltd call centre is open 24/7, 365 days per year, and manages calls directly from council tenants.
- 2.6 Saltire Ltd provides all necessary plant and materials for carrying out the works safely and in accordance with the job specification, and Saltire Ltd adhere to the agreed no-access process and timescales for routine servicing and response repair works.

### **Financial Performance**

- 2.7 In tendering this service contract in 2010, the council expected the successful organisation to deliver Best Value Efficiency Savings (BVES) and to remain profitable. Despite selling its shareholding in the company in May 2017, the council continues to receive BVES as a result of the Minute of Variation of Agreement for Works being enacted to maintain the benefits and protections previously available to the council as a shareholder.
- 2.8 The year 8 review focusses on activity and performance over the last three years, which from a financial perspective, confirms Saltire Ltd has remained profitable. Saltire Ltd has also maintained healthy financial ratios, and with them closing their financial year to December 2017 with a current ratio of 1.34, members can be assured Saltire Ltd has sufficient assets available to meet their obligations.
- 2.9 The Minute of Variation referenced in paragraph 2.7 above required Saltire Ltd to maintain a Performance Bond in respect of the Contract until January 2021. This Bond remains in force and has a satisfactory credit rating.

### **Quality Control**

- 2.10 Saltire Ltd is ISO 9001: 2015 accredited and all requirements of the quality management system are audited internally at agreed intervals throughout the year. Saltire Ltd are also audited externally by CORGI Ltd.

## **Operational Performance**

- 2.11 Annual gas servicing has been 100% compliant since 2011. Other key performance indicators (KPIs) are in place, including number of jobs completed within timescale, and these are monitored on a monthly, quarterly and annual basis. All current KPI's are at a satisfactory level, and any dips in performance are identified and actioned via the four weekly meetings.

## **Customers and Engagement**

- 2.12 Saltire Ltd comply with the council's complaints policy and procedures. Complaints tend to be from households with gas central heating (rather than electric), however the total number of complaints each year is less than 0.1% of the gas housing stock, and these usually relate to the servicing process (proceeding to forced entry) rather than in relation to the performance of Saltire Ltd.
- 2.13 Saltire Ltd provide a monthly customer satisfaction report which forms part of the council's submission to the Scottish housing regulator each year.

## **Staffing, Training and Development and Health and safety**

- 2.14 Saltire Ltd has in place policies to ensure observance of all relevant employment, equality and health and safety legislation, and operates procedures to implement and monitor performance against these policies. In January 2018 Saltire Ltd became an accredited Living Wage Employer.
- 2.15 Saltire Ltd provide a full staff induction process and operate a Learning Management System to ensure that all employees acquire/refresh knowledge on all relevant H&S and public policy issues, for example safeguarding vulnerable adults and children, anti-bribery rules and data protection.
- 2.16 Saltire Ltd recognise the importance of the health, safety and wellbeing of its workforce. All work is risk assessed, any hazards identified and controls put in place. Saltire Ltd also operate an annual Health Surveillance Programme run by Occupational Health Works Ltd, to identify early signs of work related ill health and any corrective action needed.

## **Review Summary**

- 2.17 The service review findings, highlighted above, confirm that Saltire Ltd is delivering on the contract objectives. The initial contract period ends in January 2021, however the council reserves the right to extend the Contract for a period of up to three years beyond this date. Full consideration will be given to any such contract extension as part of the scoping and development work around the new Enterprise Contract, as reported to Policy and Strategy Committee on 28 February 2019. Saltire Ltd will be given at least 6 months' notice of the final contract end date.
- 2.18 The Improvement Plan, detailed within Appendix 1, summarises some opportunities which have been identified through the review to further strengthen the current arrangements and ensure the best possible service for the council and recipients of the service.
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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**

An equality impact assessment was completed as part of the review and there are no perceived adverse impacts as a result of these recommendations.

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## 4. **Implications**

### 4.1 **Financial Impact**

The total estimated value of the Contract is between £110-143m, this was notified to potential bidders in the Contract Notice at the commencement of the contract award procedure in 2009. Based on the current programmes of work and estimated future pricing, it is anticipated that the total contract spend up to the expiry of the initial contract period in January 2021 will be approximately £112m.

### 4.2 **HR/Policy/Legislative Impact**

TUPE implications are applicable, regardless of the contract end date, and these will be fully considered as part of the work to consider any future service delivery arrangement which best fits the needs of the council going forward.

### 4.3 **Environmental Impact**

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

### 4.4 **Risk Impact**

Legislative Risk - There would be minimal risk to the council should it decide at a future date to extend the Contract, given that the Contract provides for a three year extension and the estimated value of the Contract remains within the parameters indicated in the published Contract Notice.

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## 5. **Measures of Success**

- 5.1 The review has identified that the contract with Saltire Facilities Management Ltd. to deliver central heating servicing and maintenance for the council is delivering on its key objectives.



**Head of Housing Property & Projects**

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## Saltire Facilities Management - Interim Improvement Plan

Summary of Improvement Actions		Timeframe	Responsibility
<b>Council Vision and Strategic Aims</b>			
1.	Saltire to formalise the reporting of community benefits via an annual report providing details of benefits delivered	May 2019	Saltire
<b>Governance</b>			
2.	Contract variation required to amend reference to Area Meetings within the contract; as the repairs service is now centralised these are no longer relevant. Contract liaison meetings are held every 4 weeks to review operational performance and efficiency	June 2019	NLC Legal and Democratic Solutions
<b>Quality Control</b>			
3.	Agree best method of transferring/archiving/disposing of records in line with the council's retention schedule	June 2019	NLC Housing Property
4.	NLC Gas Officer to attend alongside Saltire Compliance Officer to carry out joint pre and post inspections on new installs	May 2019	NLC Housing Property and Saltire
<b>Customers and Engagement</b>			
5.	More detailed analysis to be undertaken by NLC of customer satisfaction data to understand any variances and identify actions that may be required	Ongoing	NLC Housing Property