

# North Lanarkshire Council Report

## Policy & Strategy Committee

approval  noting

Ref JMcK/JH

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## POO1: Enterprise Strategic Commercial Partnership - Update

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### Executive Summary

The purpose of this report is to provide an update on the development stage activities to explore scope for a new delivery approach through a strategic commercial partnership for the Enterprise project and seeks approval on the principles of the scope to continue to the final Outline Business Case stage.

### Recommendations

It is recommended that the Policy and Strategy Committee:

- (1) Notes that actions from the previous report of 28 February 2019 have been closed out;
- (2) Approves that the principles of the services activities identified in Appendix 1 are taken forward as the scope of the Enterprise Strategic Commercial Partnership for the purposes of developing the final Outline Business Case;
- (3) Notes that all activity necessary to progress the project to final Outline Business Case will be based on the scope included in Appendix 1;
- (4) Notes that the final Outline Business Case, which will include the final recommended approach for the main procurement, will be submitted to Committee for approval; and
- (5) Notes that all existing contracts will be kept under review with the option of implementing extensions until the Enterprise Partnership is fully in place.

### The Plan for North Lanarkshire

Priority Improve economic opportunities and outcomes

Ambition statement (24) Review and design services around people, communities, and shared resources

## **1. Background**

- 1.1 At the Policy and Strategy Committee on 28 February 2019 approval was given to begin to scope and explore options for an innovative new approach to delivery for a full range of interconnected property, community asset and infrastructure investments, including 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.
- 1.2 The aim was to ensure the council delivers on its shared ambition for inclusive growth and prosperity for the people and communities of North Lanarkshire.

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## **2. Report**

- 2.1 Since the meeting of the Policy and Strategy Committee on 28 February 2019 progress has been made in the following areas:
- Turner & Townsend were appointed on 1 July 2019 to provide specialist advice to support the development of a new Enterprise partnership. Turner & Townsend and their subconsultancy economics specialist, Caledonian Economics, has been utilised to produce a comprehensive paper on the current economic landscape and the risks for procurement. A summary of their advice along with progress of the publication of the Prior Information Notice (PIN) is included in section 2.2 of this report;
  - The new Commercial Contracts Manager post has now been appointed to act as the overall project lead;
  - Project resources are kept under regular review by the Project Board; and
  - Progress has been made on mapping all existing contract activity across the council.

### **2.2 Procurement and PIN**

- 2.2.1 The procurement review by the consultants identified a number of risks arising from the current unprecedented economic uncertainty with businesses becoming more risk-averse and tenders being more costly to prepare. In particular, with Competitive Dialogue procurements the private sector will not gain approvals from their investment boards to commit resources for procurement without being provided with clarity on scope of services, an estimated pipeline along with the key commercial principles of commercials. The consultants' advice is that this procurement climate could however be balanced out with the council capitalising on attracting market competition by presenting opportunities through a long partnership duration.
- 2.2.2 In summary, their economic advice is that any large scale, long term public contract with reliable cashflows will be appealing to the market in the current uncertain economic conditions but would-be partners for the Enterprise Strategic Commercial Partnership will be looking for well-prepared projects, with professionally run procurement activities, a clear scope and pipeline with a well-resourced offering should provide the council with a good competition for the Enterprise Strategic Commercial Partnership.

- 2.2.3 With regards to their advice on the timing and approach for procurement, the consultants note that the number of organisations that are capable of understanding the scale of North Lanarkshire Council's ambition for the Enterprise Strategic Commercial Partnership proposal is small in comparison to the numbers of more traditionally orientated contracting firms. It is, therefore, of immense importance that the project is put in the best possible position to achieve its ambitions and that the PIN is used to reach the best cross-section of appropriate quality bidders.
- 2.2.4 The advice is that an approved scope of services and clear key commercial aspects are the critical keys to provide confidence in the market. The timing and approach of the PIN and necessary planned market engagement is set out below. On the basis of their advice this will provide the best opportunity of securing a successful procurement with interest from the most advantageous potential partners. This provides the best approach to risk mitigation. The key milestones in the indicative programme for the activities below, subject to scope approval, are set out in Appendix 2 and the issue of the PIN is indicated for early November.
- a. Approve scope of services which would constitute the Enterprise Strategic Commercial Partnership for final Outline Business Case (OBC). Scope clearly set out to ensure it attracts suitable bidders.
  - b. Identify main objectives and delivery vehicle principles.
  - c. Align known and/or estimated contract values to approved scope of services activities and estimate pipeline.
  - d. Provide estimated duration and commencement of the partnership.
  - e. Hold structured market engagement on items a to d, to firm up on requirements surrounding the delivery vehicle, assist with informing the market of requirements and enable the council to address any market observations prior to publishing the PIN.
  - f. Publish PIN.
- 2.2.5 It is recommended by the Project Board that the project should be referred to as the Enterprise Strategic Commercial Partnership in order to provide clarity to the appropriate potential private sector bidders. The underlying mechanism is likely to be a form of Project Agreement with complex layers rather than a single contract and the project name will assist in that distinction.

### **2.3 Scope of Enterprise Strategic Commercial Partnership**

- 2.3.1 An assessment of high level sub activities has been undertaken across all council services to consider whether they align in principle with the ambitions for a new bespoke service delivery partnership to define all our work across communities, stakeholders and partners.
- 2.3.2 This innovative partnership is seeking to encompass aspects of 'place shaping', from investment and design, through infrastructure construction, energy provision as well as include physical asset management and sustainability. This aim is to radically link all related contracts and service activities together to enable the partnership to be able to provide strategic development and interconnected end to end delivery of investment priorities such as the delivery of new facilities and the regeneration and development of others as well as comprehensive asset maintenance and lifecycle management to ensure that the benefits of the regeneration, development and existing assets are sustainable.
- 2.3.3 The proposed scale of the interconnected activities for this commercial partnership is expected to result in significant additional value from the successful bid partner being fed into the wider economic growth potential. The ambitions, in this regard, will be prominently, clearly stated and evaluated as part of the procurement. Whilst this additional value will be dependent on the competitive process, we should

expect this procurement to secure a range of wider benefits, for example, in areas such as inward investment to improve the North Lanarkshire Infrastructure, employability, carbon neutral infrastructure and the use and advantage of emerging technologies such as digital and energy.

Services activities were visually mapped in consideration of the above objectives, using RAG ratings.

The three RAG ratings, Red, Amber and Green identify as follows:-

RED	Out of Scope	Policy, Regulatory or activities that do not align to the objectives of an Enterprise Strategic Partnership.
AMBER	Option Appraisal	Activities requiring further assessment to determine whether these align with an Enterprise Strategic Partnership.
GREEN	In Scope	Activities which are considered to align to the objectives of an Enterprise Strategic Partnership.

Appendix 1 provides the principles of the Green and Amber rated services activities which align to the scope ambitions for the Enterprise Strategic Commercial Partnership. This has been split across the headings of:

- (i) Strategic Place Shaping and New Infrastructure;
- (ii) Physical Asset Management and Sustainability;
- (iii) Enterprise; and
- (iv) Partner "Corporate" Responsibilities.

2.3.4 This scope will be subject to a structured market intelligence test through engagement and dialogue with industry by the Enterprise project delivery team, to assure deliverability and will provide the best programme approach to allow the further development and detailing of all subsequent activity necessary for the project to progress towards issue of the PIN and submission of a final OBC to Committee for approval.

2.3.5 The Amber rated service activities are activities that require further appraisal and assessment by the Project Board for the next stage of development in conjunction with external parties to ensure these are appropriate.

2.3.6 Approval of the final OBC will include recommendations regarding key commercial aspects of the main procurement. The procurement stage following OBC approval will also be the stage which will incur the majority of the project costs and this will be set out in the final OBC.

## **2.4 Pipeline Procurement Forecasts**

2.4.1 The previous report of 28 February 2019 to Committee gave an indication of the potential scale of investment over a ten year period. The estimated figure has now been adjusted to a potential £3.5 billion to include roads, street lighting and winter maintenance. This estimate has been provided to Committee for context only and the formal estimate will be set out in the final OBC and will be kept under review.

The duration of the partnership will be assessed through market intelligence and will impact on the pipeline value.

All estimates will have to reflect the changing funding environment faced by local government, evolving council strategic priorities and wider economic factors (i.e. inflation and interest rates).

2.4.2 Work is currently being carried out to update and develop further a comprehensive master contract mapping programme. This will include current contract values, contract duration and likely future contract estimated values and timescales. This is required to forecast a potential pipeline for the market intelligence, the issue of the PIN and the final OBC. This master contract programme will also identify when procurement or re-procurement exercises are required so that services can make the necessary arrangements.

## **2.5 Next Stages and Indicative Project Programme**

2.5.1 Appendix 2 to this report sets out the key milestones in relation to the indicative development and procurements programmes. A detailed programme has been produced for the development stage activities of the project up to the submission of the final OBC. An indicative programme for the procurement stage (post approval of the final OBC) has been set out but the detail and certainty for the procurement stage can only be produced at the point that the council has approved the final OBC. This links directly to the type of procurement along with the number of variables and stages that may be required. All these will be developed as principles for the final Outline Business case prior to the main procurement commencing.

2.5.2 In summary, the following are the key activities that will be taken forward in the next stage, subject to scope approval:

- Scope Option Appraisals for Amber rated activities;
- Pipeline value to be established;
- Enterprise Partnership Key Objectives including estimated duration of Partnership;
- Structured Market Intelligence Testing and feedback into all areas;
- PIN published;
- Delivery Vehicle and procurement route final assessment;
- Operating Models assessment;
- Procurement preparation for additional consultants;
- Market Prospectus prepared; and
- Final OBC submitted to Committee.

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## **3. Equality and Diversity**

### **3.1 Fairer Scotland Duty**

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 on completion of the Outline Business Case and will be reviewed throughout the development and procurement programme.

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## **4. Implications**

### **4.1 Financial Impact**

£500,000 has currently been set aside for project costs to support the development of the procurement phase for year 1 and part of year 2 (2019-2020). As the programme of work develops in a final form costs will be outlined in future reports.

## 4.2 HR/Policy/Legislative Impact

4.2.1 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 council's ambitions.

4.2.2 At the appropriate milestones, there will be a requirement for a significant amount of consultation work across council services to identify transformational change impacts, the work arising from these and the plans and resourcing needed to ensure the continuance of 'business as usual' activities, the completion of part commenced projects and the transitions to the partnership of in scope council activities.

## 4.3 Environmental Impact

There is no environmental impact arising from this report.

## 4.4 Risk Impact

4.4.1 The risk register for the strategic development stage of the Enterprise Partnership project was reviewed with the recent appointments. A review of the Preliminary Risk Assessment (PRA) has been undertaken on the strategic development phase of this project with the Project Board and given the scale, complexity and duration of this type of procurement, the overall risk rating remains high at this stage. When the project enters its delivery phase (procurement and implementation), risks should reduce. The risk register reviews and PRA for the delivery will be undertaken by the wider project team and reported through the Project Board.

4.4.2 The indicative programme for the procurement and implementation stage of the Enterprise Strategic Partnership based on a Competitive Dialogue route indicates a possible date of contract award by August 2021. The housing and repairs contract currently ends in January 2021 and therefore it is highly unlikely that any procurement with the exception of a traditional outsourcing contract can be delivered and implemented by January 2021. Services, therefore, should put in place contingency measures and start to prepare and arrange extensions to contracts, where any are due to expire prior to implementation of the Enterprise Strategic Commercial Partnership.

(Note the type of procurement e.g. 'Competitive Dialogue' will be confirmed when tested through the procurement options exercise during the next stage).

4.4.3 The revised indicative programme is at high risk of not being achieved if approval of the scope of services to progress the final OBC is not achieved by 30 September 2019. The scope determines the pipeline value, the type and length of partnership delivery vehicle, the underlying operating models/key commercial specification all of which are required to determine the type of and timing of procurement.

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## 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:

- Working in accordance with The Plan for North Lanarkshire, recognising how the Enterprise Partnership can make an impact on the council's priority outcomes;
- Wider benefits to be realised across employability, technology, regeneration and growth; and
- Recognition in the council, across Local Government and across wider stakeholders that the service delivery arrangement can make a positive contribution to the regeneration of North Lanarkshire and the wider Scottish economy.

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## 6. Supporting documents

6.1 Appendix 1 – Services Activity Mapping.

6.2 Appendix 2 – Development Programme and Indicative Procurement Programme.

A handwritten signature in black ink, reading "James McKinstry". The signature is written in a cursive style with a long, sweeping tail on the final letter.

**James McKinstry**  
**Head of Asset & Procurement Solutions**

## APPENDIX 1: SERVICES ACTIVITY MAPPING

### Scope of Services Activities recommended for the final Outline Business Case

#### (i) STRATEGIC PLACE SHAPING AND NEW INFRASTRUCTURE (Land use, master planning, Procurement, Design, Construction, Modernisation, etc.)

**GREEN** rated activities which are recommended as Scope as they align to the objectives of the Enterprise Strategic Partnership.

(OS) Activities which are already delivered externally - either JVs, ALEOs or where professional technical and consultancy services or delivery design & build is procured externally e.g. feasibility studies, site investigation surveys, condition surveys, new housing, new schools etc.

Schools & Centres modernisation programme - design & construction	(OS)
Nursery expansion infrastructure delivery -1140 Hours	(OS)
New Build Programme (Housing) – design & construction	(OS)
Tower Demolition Programme	(OS)
Corporate buildings and existing schools: design, capital investment programme delivery, demolitions programme delivery, technical advice	
Partnership with NHS - New or adaptation of accommodation - professional technical accommodation standards/specifications advice	
City Deal Programme – design & construction	(OS)
Strategic delivery of regeneration / partnership projects (e.g. town centre projects)	(OS)
Strategic delivery of the Economic Regeneration Delivery Plan through feasibilities and/or delivery models (including land assembly)	
Developing proposals for developing vacant and derelict land	
Design and delivery of business and industry infrastructure, including regeneration of brownfield sites	
Energy infrastructure	
Roads Design (traffic calming, car parks, traffic signals, junction improvements, cycle routes)	
Landscape Design (MUGA, Play Areas, Planting Schemes, Village Gateways)	
Transport strategy development	
Active travel - new routes development	
Countryside Projects development and delivery (Country parks Biodiversity, Core Paths, Walking Routes)	
Environmental FM Partnership Projects - development of feasibility studies, delivery	
Feasibility Studies - Community Asset Ownership, Allotments, Community Amenities (use of Partnership's professional services)	
Contaminated Land technical support and advice	(OS)

**AMBER** rated Activities which are recommended as Scope but which will be assessment further and may be excluded in the final scope

Development of regeneration / partnership projects (e.g. town centre projects and associated CPO activity)

Open Space Strategy - delivery, feasibilities

## (ii) PHYSICAL ASSET MANAGEMENT AND SUSTAINABILITY

**GREEN** rated activities which are recommended as Scope as they align to the objectives of the Enterprise Strategic Partnership.

(OS) Activities which are already delivered externally - either JVs, ALEOs or where professional technical and consultancy services or delivery design & build is procured externally e.g. feasibility studies, site investigation surveys, condition surveys, new housing, new schools etc.

Property Maintenance - Corporate Property, Schools , Social Care, NHS	(OS)
Asbestos Non Housing Properties: asbestos management surveys, master recording, asbestos removal etc	(OS)
Office Accommodation Works	(OS)
Housing Repairs Programme	(OS)
Housing Legislative Services (Gas Servicing, Electrical, Asbestos, Water Quality)	(OS)
Legislative Services - Energy Programme Delivery	(OS)
Housing Investment Delivery Programme (SHQS / EESSH) upgrade of existing stock - works and delivery etc	(OS)
Void Management - technical property letting standards	(OS)
Homelessness and Temporary Accommodation - property condition	(OS)
Smarter Homes / Health & Social Care Links -feasibilities and delivery	
Treatment of school grounds (gritting)	(OS)
Roads Maintenance and Management	(OS)
Street and Festive Lighting Maintenance, Management and Maintenance	(OS)
Winter Services	(OS)
Traffic Engineering (Maintenance Traffic Signals, Bus Stops and Shelters)	
Structural Design & Bridge Maintenance	(OS)
Geotechnical Advice, Ground Investigation and Design	(OS)
Flood risk management plans and implementation of maintenance	(OS)

**AMBER** rated Activities which are recommended as Scope but which will be assessment further and may be excluded in the final scope

North Lanarkshire Properties Ltd (Commercial lets)	(OS)
Asset Management: Energy monitoring, consumption, supply	
Estates Services: Sale /acquisition of land, cartographic services, Land surveying and land ownership research, Professional property advice	
Forward Planning and Specification : Suitability Assessments and Surplus properties reporting (Education)	
Private Sector Housing – Care & Repair / Handyperson Scheme	(OS)

**(iii) ENTERPRISE**

**GREEN** rated activities which are recommended as Scope as they align to the objectives of the Enterprise Strategic Partnership.

(OS) Activities which are already delivered externally - either JVs, ALEOs or where professional technical and consultancy services or delivery design & build is procured externally e.g. feasibility studies, site investigation surveys, condition surveys, new housing, new schools etc.

**AMBER** rated Activities which are recommended as Scope but which will be assessment further and may be excluded in the final scope

Delivery of Employability type services

Inward Investment – promote, encourage and facilitate inward investment from businesses to NL to create and sustain employment

Supported Enterprise (Supported Employment)

Supported Enterprise (NLI)

(iv) **PARTNER 'CORPORATE' RESPONSIBILITIES**

**GREEN** rated activities which are recommended as Scope as they align to the objectives of the Enterprise Strategic Partnership.

(OS) Activities which are already delivered externally - either JVs, ALEOs or where professional technical and consultancy services or delivery design & build is procured externally e.g. feasibility studies, site investigation surveys, condition surveys, new housing, new schools etc.

Post Occupation Evaluations (New Build)

Reporting and Monitoring (registers of work, programmes, KPIs, activities etc)

Procurement of Works

Procurement Validation

CDM Client and CDM Coordination

Contingency Planning and Out of Hours

Professional Services

**AMBER** rated Activities which are recommended as Scope but which will be assessment further and may be excluded in the final scope

## Appendix 2 – Development Programme and Indicative Procurement Programme

	<b>Milestone</b>	<b>Indicative Completion Date</b>
1.	Scope of Services approved*	September 2019
2.	Project Management arrangements	October 2019
3.	Project Initiation Document (PID) approved	October 2019
4.	Market Engagement	November 2019
5.	Prior Information Notice (PIN) published	November 2019
6.	Outline Business Case (OBC) approved*	February 2020
7.	Contract Notice published	April 2020
8.	Procurement	July 2021
9.	Final Business Case approved*	July 2021
10.	Contract Award*	August 2021
11.	Mobilisation	TBC
12.	Partnership 'Go Live'	TBC

\*Items that require Committee Approval