

North Lanarkshire Council

Report

Policy and Strategy Committee

approval noting

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P001: Enterprise Strategic Commercial Partnership - Outline Business Case

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Executive Summary

The purpose of this report is to present the high level outcomes from the Outline Business Case (OBC) for the Enterprise Strategic Commercial Partnership, and to seek approval from Committee to proceed to the next phase of the project: Procurement of the Preferred Model.

Recommendations

It is recommended that the Policy and Strategy Committee:

- (1) Note the completion and the outcomes of the Outline Business Case (OBC) for the Enterprise Strategic Commercial Partnership project;
- (2) Note the development of the scope outcome identified in Appendix 1;
- (3) Note that the OBC Preferred Model, based upon the scope outcome, is for a Full Strategic Single Joint Venture Partnership for no less than a 20 year concession period but that the definitive Preferred Model and partnership concession duration will be developed and finalised through the procurement process;
- (4) Note that to meet the ambitions of the Enterprise project to best benefit North Lanarkshire, the innovative parts of the solution will be shaped from industry dialogue as part of the procurement and consequently the procurement procedure, subject to undertaking the Sourcing Methodology, is likely to involve competitive dialogue;
- (5) Note that the commercial and procurement aspects of the project could only be dealt with as high level principles at the OBC stage and will be developed as part of the procurement stage, with finalisation of some areas at preferred bidder stage;
- (6) Note that although a high level indicative timeline for procurement and transition arrangements of the new partnership has been provided, the project programme will be developed after OBC approval to align to the approved project and the selected procurement procedure, which is likely to be a lengthy and complex process;
- (7) Note that there is a plan in place for the level of funding available to correspond to the service delivery areas in scope for the Enterprise Strategic Commercial Partnership; Estimates will be subject to annual review and a key objective of the partnership is to manage expenditure within available resources ensuring that the partnership is both flexible and scalable to the availability of finance;
- (8) Approve the progression of the Enterprise project to the procurement stage based upon the principles outlined in (3), (4), (5) and (7) above.

The Plan for North Lanarkshire

Priority Improve North Lanarkshire's resource base

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

1. Background

- 1.1 The Plan for North Lanarkshire sets out our shared ambition for inclusive growth and prosperity for all where North Lanarkshire is the place to live, learn, work, invest and visit. To support this aspiration, in February 2019 this Committee approved a place-based ambition to explore options through the development of an Outline Business Case (OBC) 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 Enterprise Strategic Commercial Partnership project, a key work stream within Programme of Work (P001), will be a catalyst in driving forward 'The Plan for North Lanarkshire', supporting inclusive growth and prosperity for all.
- 1.3 As approved by this Committee in September 2019, the OBC has been completed on the basis of an agreed scope of asset-infrastructure related services including associated professional services and with the potential delivery of these services being in the form of a strategic commercial partnership vehicle to lever in enterprise and investment benefits.

2. Report

- 2.1 The outline business case has been developed following the principles of HM Treasury's 'Green Book'¹ guidance, particularly the five case model. This proven framework for structured thinking should provide assurance to members and stakeholders by demonstrating that the project:
- i. Provides strategic fit and is supported by a compelling case for change (the strategic case)
 - ii. Will maximise public value to society (the economic case)
 - iii. Is commercially viable and attractive to the supply side (the commercial case)
 - iv. Is affordable and is fundable over time (the financial case)
 - v. Can be delivered successfully by the organisation and its partners (the management case)

¹ The Green Book:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/685903/The_Green_Book.pdf

2.2. This report outlines the activities undertaken across each of these five areas. It highlights the key outcomes, demonstrating that the project is economically sound, financially viable, that the procurement and mobilisation will be well managed and ultimately, it provides justification to members regarding the benefits of the Partnership for the council and the residents of North Lanarkshire.

2.3 Strategic Case

The strategic case looks to demonstrate that the Partnership proposed in this Business Case aligns with and supports the strategic aims of the Council. It includes the rationale of why change is required, as well as setting out intended outcomes.

2.3.1 This section set out the well documented key statistics and vision for North Lanarkshire utilising both The Plan and We ASPIRE to articulate the strategic ambitions. The section also set out the local government context identifying the key challenges facing local authorities including the need for councils to think differently about how they deliver services in the future.

2.3.2 In North Lanarkshire, we have big ambitions to realise large-scale regeneration and infrastructure projects, and the establishment of an Enterprise Strategic Commercial Partnership would increase our capacity to deliver on these ambitions, from initial feasibility, through design to delivery and construction, to lifecycle maintenance and management. The Partnership would provide the flexibility required to enable us to move at an augmented pace to support our key plans and initiatives.

2.3.3 Four strategic ambitions have been established for the new partnership. These set out the fundamental reasoning for undertaking this project. Ultimately, the council is seeking a commercial partnership that will:

1. Bring together aspects of infrastructure 'place shaping', from investment, professional services such as design and technical services through to construction (e.g. new housing, schools, roads, town centres and associated backbone infrastructure e.g. land feasibilities, energy)
2. Bring together comprehensive asset maintenance and lifecycle management (e.g. property repairs, roads repairs).
3. Link all related service activities and contracting arrangements together to enable a strategic commercial partnership to be able to provide strategic development, interconnected end to end delivery and programming of investment priorities such as the delivery of new facilities, regeneration, development as well as deliver benefits of sustainable assets through the servicing of existing, regeneration and new development assets.
4. Through the scale and extent of interconnected activities through the strategic partnership, secure significant additional value which feeds into the wider economic growth potential. 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 digital and energy.

2.3.4 These four strategic project ambitions were broken down further into eight partnership investment objectives (Table A) which will provide the procurement connection between the council's strategy and the market's solution in terms of securing a transformative alternative service delivery model.

Table A: Partnership Investment Objectives	
A)	An innovative, strategic and place-shaping partnership that delivers high quality infrastructure for our communities and their environment to develop and promote North Lanarkshire as the place to live, learn, work, invest and visit. (Shaping North Lanarkshire)
B)	To improve the lives of those who live and work in North Lanarkshire by driving inclusive economic growth, supporting local enterprise development, increasing skills, and generating sustainable employment to reduce poverty and inequality. This should be achievable through a long term, strategic partnership which, through the scale of investment, is also expected to bring its' own contributions to our major social, economic, and technological ambitions. (Enhancing our economy)
C)	A partnership with capacity and capability to accelerate regeneration and maximise the use of our assets that is aligned with wider place-shaping and asset management delivery. (Regenerating our communities)
D)	A partnership that provides a cohesive intelligent asset management approach which supports decision making and future planning for both our existing and future assets. (Cohesive maintenance and repairs)
E)	A strategic and innovative approach to transform performance of planned preventative maintenance and lifecycle management to deliver continuous improvement in the sustainability and management of our assets for our service users. (Focused, whole life investment)
F)	Consolidation of relevant services and works contracts to form a portfolio of professional expertise to increase the pace and effectiveness in the delivery of our investment and services. This portfolio will, through economies of scale, secure value for money and enable more efficient contract management to reduce risk. (More efficient and effective delivery)
G)	An innovative and cohesive approach to assist the Council in developing sustainable, carbon neutral communities. (Sustainable Communities and Carbon Neutrality)
H)	A partnership that has the capability of identifying and accessing opportunities to leverage additional alternative sources of funding to maximise public investments to enable the delivery of the Council's ambitions. (Access to resources)

2.3.5 When mapped against the council's ambition statements these partnership investment objectives have been identified as a key driver or contributor to 20 of the 25 council ambition statements. These are identified in section 5.3 of this report.

2.3.6 The scope of service areas used as the basis of the OBC was the outline scope of the green and amber rated services activities approved by this Committee in September 2019. Thematic categories were developed following an assessment of the nature of the delivery areas and then used to consider whether the scope areas aligned with the strategic objectives of the Partnership. The thematic scope categories include:-

- **Strategic Place Shaping and New Infrastructure**, covering: land use, master planning, procurement, design, construction, modernisation, sustainability and associated professional and technical services;
- **Physical Asset Management and Sustainability**, covering: legislative services and upgrades to assets, planned preventative maintenance, reactive repairs, lifecycle, energy efficiency, sustainable buildings; and
- **Enterprise**, covering: inward investment, employability, added value investment contributions to social, economic, and technological ambitions.

- 2.3.6.1 The scope areas were then also subject to a structured market intelligence exercise undertaken through engagement and dialogue with industry to determine whether the grouping of services allowed for a coherent and deliverable partnership model.
- 2.3.6.2 The outcome of the OBC assessments on the scope of services indicated that, for procurement the scale and diversity of the scope was not an inhibitor and that the interconnectivity of the scope themes was seen as a positive to afford opportunities for better effectiveness and development. The thematic assessment outcome demonstrated that the 'green' rated areas of scope remain aligned to the project scope; a very small number of 'amber' scope areas are recommended to be removed from scope; and the residual 'amber' areas remain aligned to scope and are recommended to be taken forward for the procurement stage. These amber areas will be assessed further as part of the procurement process, and where considered appropriate, may form options in the procurement documentation. The recommended scope outcome is set out for approval in Appendix 1.
- 2.3.7 In developing the strategic case for the OBC it was important to not only define council wide strategic objectives for the partnership but also to define exactly what services expect to achieve by supporting investment in the partnership. Through a series of workshops between the consultants and Chief Officers from the in-scope services, SMART Service-level objectives have been developed. These service level objectives will continue to be refined at the next stage of the project and will feed into the performance aspects of the procurement criteria.
- 2.3.8 The existing arrangements including the differentiation between in-house and outsourced service delivery were reviewed as part of the strategic case across the wide scope of services and activities. Many of the areas identified as 'within scope' are already out-sourced, however the fragmented nature of these contracts, frameworks and partnerships somewhat dilutes the benefits and added value that could potentially be gained from having the one long term strategic partnership.
- 2.3.9 A contract mapping exercise looking at current contracts was undertaken to identify a potential pipeline of contracts and projects which could potentially flow through the partnership. Subject to OBC approval, contract mapping will continue to develop a pipeline but will also support the council with information to ensure that any constraints and dependencies are understood as the project develops through procurement, transition and mobilisation.
- 2.3.10 The strategic risks and associated controls were mapped out at high level for the Procurement, Implementation/Transition and Mobilisation next stages of the project as well as the Operational phase of the partnership. The risks across all four areas have been considered and identified across the following groupings:-
- i. Strategic (e.g. objectives, option assumptions)
 - ii. Governance and legislative (authorisations, control and monitoring, GDPR)
 - iii. Support and Communication
 - iv. Resources (e.g. people, skills, budgets and financial control)
 - v. Financial (e.g. Sustainable funding)
 - vi. Programme
 - vii. Procurement (specification, complexity, strategy, control, post evaluation)
 - viii. Contract Management (transitions, readiness, model, staffing)
 - ix. Service delivery (performance, change in law)
- 2.3.10.1 The strategic risks identified are appropriate for this OBC stage. Risks within groupings i to vi, will remain across all stages of the project but their risk rating

significance will reduce as the project moves from stage to stage. For example, the procurement related risks will start with high ratings reducing to reflect progression through the procurement process. The risks for the mobilisation stage and operational phase will remain open until all mobilisation phases have been implemented.

2.3.10.2 At each project stage, a comprehensive risk review is undertaken to consider both the initial strategic risks and any new risks and converted into a detailed project risk register for that current project stage produced with full controls, management and monitoring in accordance with internal procedures. Strategic risks for future stages will also be reviewed.

2.4 Economic Case

The Economic Case identifies the delivery models considered in response to the potential scope of the partnership identified within the Strategic Case and shows how they have been assessed looking at best public value to society to generate a short-list of options and a Preferred Option.

2.4.1 To provide a robust assessment to be able to short list the number of possible relevant delivery models, a range of appropriate criteria was developed by the Project Board in conjunction with the consultants (Critical Success Factors). These factors relate directly to those matters that were considered necessary for the proposed new partnership to be a success, in line with the Plan for North Lanarkshire.

2.4.2. Eight different relevant delivery models (Long List Options) including 'Business As Usual' (Do Nothing) as a baseline were identified and assessed initially on the ability of the model to deliver against the criteria of the Critical Success Factors. The assessment 'scoring' was based upon 'fully', 'partially' or 'not at all'. Those Long-List of Options included:

- 'Business As Usual' (baseline);
- Community Interest Company (CIC) / Council Owned Arm's Length External Organisation;
- Service Joint Venture (a proportionally owned Public Private Vehicle to deliver a service);
- Traditional Outsource;
- Hub South West Scotland Ltd;
- Local Asset Backed Vehicle;
- Strategic Partnership (multiple Independent Joint Ventures); and
- Full Strategic Partnership (Single Joint Venture).

The shortlisting assessment resulted in a deselection of five models (Appendix 2).

2.4.3 The remaining three models ('Business As Usual' and Strategic Partnership models) were then subject to a more in-depth appraisal. This appraisal considered the ability of the three remaining models (Short List Options) to deliver against the criteria of the Partnership Investment Objectives (Table A in section 2.3.4).

2.4.4 The Short List Options appraisal was undertaken using a weighted scoring methodology to firstly assess the relative importance of the associated benefits criteria and secondly, to assess how well (or otherwise) each option fared against the benefits criteria. This was achieved by:

- Grouping the Partnership Investment Objectives so that scoring is against a smaller number of aligned objectives

- Weighting the relative importance (in %) of each group of Investment Objectives
- Scoring each of the short-listed options (and providing supporting rationale) on a scale of 1 to 4 (with 1 being the least favourable and 4 being the most favourable raw score)
- Deriving a weighted score for each option to determine their ranking
- Identifying the potential economic benefits that each short-listed option could generate from a qualitative perspective to determine the Preferred Option

The Short List Options appraisal (Appendix 3) resulted in a Preferred Option which demonstrated that it could achieve 98% of the Partnership Investment Objectives.

2.4.5 The Preferred Option is the Full Strategic Partnership (Single Joint Venture (JV)). The characteristics of this type of arrangement are typically an intelligent, innovative and market-focused partner that can deliver new infrastructure and investment services for the Council, through an optimised supply chain, whilst also bringing the added enterprise value and investment that the Council seeks. This Preferred Option would act as an intelligent commissioner of services and coordinate and deliver capital projects and operational and maintenance activities enabling an improved whole lifecycle approach to estate and asset management.

2.4.6 The benefits that this arrangement would bring would be to encourage synergies in programming, resourcing, supply chain management and investments. It will bring resources, financing and innovative ideas to maximise revenue savings and income generation plus capital efficiencies from across the Council's diverse portfolio of assets and services. Working in the most cohesive and effective manner would facilitate the generation of a greater degree of economic benefit for the council and its communities. It would improve and develop existing delivery arrangements and in summary:-

- It will bring the most efficient interconnection and integration between service activity areas, operations and project delivery;
- It will be the single point of focus for supply chain performance and optimisation and will ensure more effective delivery;
- It could bring upfront private sector capital investment;
- It will bring resources and innovative ideas to support capital (and revenue) efficiencies across the Council's diverse portfolio of assets and services; and
- It will provide the Council with the ability to retain control over decision making with regards to what capital schemes are delivered and how services are/could be transformed.

2.4.7 The Preferred Option delivery model has been developed from the OBC five-case assumptions. The delivery model will be further developed and tested as part of the procurement process.

2.5 Commercial Case

The Commercial Case looks to demonstrate that the Preferred Option can result in a viable procurement and a well-structured arrangement between the council public and its service provider. It considers also how the Preferred Option will be procured and the basis of the commercial assumptions.

2.5.1 Structured feasibility engagement (soft market testing) was undertaken by the project team in conjunction with the consultants and industry. A small selection of

organisations were chosen due to their respective specialisms in order to provide a cohesive and balanced view to better inform the council across thematic areas required to develop the OBC and test initial procurement viability and capability.

- Scope of Services (Green and Amber)
- Partnership Delivery Models
- Duration of Partnership
- Underlying Operating Models – Asset Management
- Enterprise Added Value and Consolidation of Services
- Market Conditions for Bidder Investment Decisions

2.5.1.1 The soft market engagement was positive indicating that the ambitions for a strategic commercial partnership based on the OBC scope would provide a viable procurement. It demonstrated industry are already delivering these types of services, albeit not on such a strategic and interconnected scale. A number of consistent themes were identified from the soft market testing:-

- Longevity of partnership duration
- Pipeline visibility and sustainability
- Autonomy and influence of the programme of works
- Planned maintenance and Lifecycle
- Energy efficiency and carbon reduction
- Due diligence and transferring and sharing of risk
- Requirement to contract with an intelligent client

2.5.3 The commercial structure based upon the Preferred Option of a partnership would be procured as a Joint Venture between the Council and a single entity (which could comprise of either a sole organisation or a consortium of organisations). The commercial structure in terms of company structures, shareholdings etc form part of the bespoke solution being sought from the procurement, although these matters along with heads of terms will be discussed at high level as part of the development of the procurement documentation.

2.5.4 The duration concession of the partnership was subject to a separate risk assessment. The outcome demonstrated that based upon the strategic ambitions being sought from this commercial partnership to deliver the maximum benefit and to secure the best response from the market, that the duration of the partnership concession should be no less than 20 years. A long term partnership duration commitment from the council:-

- increases the likelihood and appetite for partners to invest in and gain the enterprise benefits sought in the ambition;
- enables the delivery of innovation development and efficiencies.
- incentivises a partner to take a strategic view of the assets and lifecycle costs with responsibility to see this through to the duration of latent defect and lifecycle periods, not possible on shorter transactional contracts.
- removes the need for repetitive ongoing, costly procurement activities and allows the council and the appointed partner to focus on developing the strategic relationship to secure the significant benefits sought for North Lanarkshire.

There is an advantage to the council in retaining further flexibility on the optimum duration of the partnership term during procurement in order to take account of any

bidder solutions that best benefit the council. The exact duration and any extension periods, therefore should also form part of the bespoke solution.

2.5.5 This case also considered Risk Transfer. The commercial partnership would afford the council the opportunity not only to meet its strategic objectives but also to transfer significant delivery and financial risk. Whilst bidders will price risk into their bids, the commercial deal should ensure that reasonable and appropriate risks are transferred or retained on the basis of which party is best positioned to own, manage and mitigate those risks. This procurement provides the opportunity to define certainty around the following risks:

- **Cost and Value** – by defining the parameters of the financial costs and efficiencies to be achieved with the preferred tender for the partnership, the council can achieve some degree of cost certainty for budgeting and transfer appropriate cost risk.
- **Resource** – by defining the services required and agreeing a set of outputs for the partnership, then resource risk can be transferred.
- **Delivery** – by agreeing initial outputs and performance mechanisms, time, cost and quality outcomes can be defined and responsibility (including default mechanisms) transferred to the partnership.

The appropriate mechanisms for sharing of risks and returns would create incentives for the partner to drive ongoing performance and improvement.

2.5.6 By virtue of the estimated value of the ESCP, the Council is required to discharge the procurement in accordance with one of the five available competitive procurement procedures available under the Public Contracts (Scotland) Regulations 2015 (the 'Regulations') :

- 1) Open Procedure;
- 2) Restricted Procedure;
- 3) Competitive Procedure with Negotiation;
- 4) Competitive Dialogue Procedure; and
- 5) Innovation Partnership Procedure.

2.5.6.1 Both the Open and Restricted Procedures are suitable for straight forward procurements, the requirements of which can be clearly specified at the point the procurement is commenced and as both prohibit any form of dialogue/negotiation they are not considered appropriate for a project of the nature and complexity of the Enterprise Strategic Commercial Partnership.

2.5.6.2 The other three procurement procedures provide much greater flexibility to use negotiation/dialogue which is considered essential when considering complex or innovative projects such as the Enterprise project. The use of these procedures must be justified in terms of the Regulations.

2.5.6.3 The Innovation Partnership Procedure enables the Council to develop innovative products, works or services where no suitable solution exists in the market, however, this envisages sharing the risk with the supplier/s by first forming a contract where the supplier/s would then develop the solution and the 'council' would then choose to purchase the resulting products and/or services provided that they meet agreed performance levels and maximum costs agreed between the Council and the participants. In comparison, the Competitive Procedure with

Negotiation and the Competitive Dialogue Procedure provide certainty of the solution before a contract is entered into.

2.5.6.4 The Competitive Procedure with Negotiation and the Competitive Dialogue Procedure can both be used in the same set of circumstances:

- the needs of the Council cannot be met without adaptation of readily available solutions;
- the goods, works or services include design or innovation solutions;
- the contract cannot be awarded without prior negotiation because of specific circumstances related to the nature, the complexity or the legal and financial make-up or because of risks attaching to them.

2.5.6.5 Although the procedures are similar, there are few key procedural differences between the Competitive Procedure with Negotiation and the Competitive Dialogue Procedure;

- the Competitive Dialogue Procedure does not require the Council to set minimum requirements at the beginning of the procurement;
- the Competitive Dialogue Procedure provides greater flexibility following submission of final tenders (tenders may be 'clarified, specified and optimised'); and
- the Competitive Dialogue Procedure also provides more flexibility to negotiate with the preferred tenderer to confirm financial commitments or other terms contained in the tender by finalising the terms of the contract.

2.5.6.6 Initial appraisal of the available procurement procedures by advisers has identified the Competitive Dialogue procedure as being most appropriate procurement route for Enterprise Strategic Commercial Partnership. It is for the Council, however, to select the procurement procedure which is most appropriate in the circumstances and the procurement procedure will be formally identified following the completion of a comprehensive sourcing methodology in accordance with the Councils internal procurement procedures, once the OBC is approved.

2.5.7 The procurement process for a Competitive Dialogue Procedure is lengthy and encompasses several stages of engagement and negotiation where, after pre-selection of potential bidders, organisations submit an outline solution and have the opportunity to discuss this individually with the council. The outline solution will be assessed and the list of bidders may be reduced to a short list. The short list of bidders will substantially detail their solution before having further dialogue on an individual basis with the council. The detailed solutions will be evaluated and bidders will submit their final tender for a final evaluation.

2.5.7.6 The final bid evaluation will build the basis of the Full Business Case. The Full Business Case will be subject to this committee for approval prior to entering into a partnership agreement with the successful bidder.

2.5.7.7 The procurement stage will involve a number of activities prior to the start of any Invitation to Participate in Dialogue. This predominantly involves undertaking the procurement sourcing methodology; risk, programme and governance reviews; resourcing of specialist project team members and external advisers; development of the procurement strategy, criteria, commercial specification including TUPE and

operating model principles, due diligence and risk transfer principles; publication of an OJEU contract notice; hard market engagement and pre-qualification of bidders.

- 2.5.7.8 The procurement criteria will be developed to align with the eight investment objectives along with a combination of the critical success factors and other important commercial and service related performance factors.
- 2.5.8 Human Resource Implications (including TUPE)
 - 2.5.8.1 The workforce to support the Partnership will be drawn from a number of sources including from the council workforce and from the workforce within any partnering organisations working in the areas 'in scope' in the business, which are in place with the council at that time. In addition, the new Partnership organisation itself is likely to contribute to resources for any senior, specialist, professional and/or partnership support roles as required, insofar as these roles do not conflict with the TUPE regulations.
 - 2.5.8.2 The procurement for this project is seeking bespoke solutions from the procurement market to deliver the project's ambitions and therefore bidders may come forward with unique service model proposals, each with separate workforce implications and as such, it is not appropriate at the OBC stage to comprehensively and definitively identify the precise workforce implications for the council at this time. Notwithstanding a preliminary analysis of the services in the OBC scope was undertaken with Chief Officers.
 - 2.5.8.3 The statutory guidance on TUPE requires Local Authorities to review the options for the existing in-house workforce in relation to future service requirements and procurement options.
 - 2.5.8.4 As the partnership and operating models develop, this review will require to be undertaken for all areas of the business in scope and an in-depth analysis of the council's existing service delivery will be undertaken to determine those posts and corresponding employees which may be impacted upon by the implementation of the new Partnership. All council employees whose posts are confirmed as in scope will have TUPE regulations applied. As the re-organisation of the in-house service provision is developed appropriate council policies and procedures will be followed.
 - 2.5.8.5 The detail of the TUPE requirements will be fully outlined in the procurement documentation to ensure that bidders are able to form a clear understanding of the actual TUPE implications and liability. This includes highlighting to potential bidders that complying with the statutory guidance is a formal part of the contracting process. It is this statutory guidance that provides for the elimination of two-tier workforces, application of TUPE even where it does not apply in the strict legal sense and importantly pension protections and the requirements around the LGPS regulations and pension costs.
 - 2.5.8.6 TUPE regulations may also apply to any transfer of workforce within council partnering organisations that are actively in place at the time and where these are in scope of the procurement. Bidders will require seek to take legal advice on any TUPE obligations and the council will assist, where appropriate and necessary, in obtaining necessary information from its partnering organisations to identify any such TUPE obligations.
 - 2.5.8.7 It is noted that the project's investment objective (B) in 2.3.4 is to improve the lives of those who live and work in North Lanarkshire by driving inclusive economic growth, supporting local enterprise development, increasing skills, and generating sustainable employment to reduce poverty and inequality. The procurement of this

new Partnership therefore, will require bidders to provide proposals for local employment, career opportunities, apprenticeship, skills training as well as longer term sustainable provisions such as skills academy and school partnership arrangements, ensuring the employability agenda for North Lanarkshire is fully embedded within the partnership.

2.6 Financial Case

The financial case seeks to demonstrate that the Preferred Option identified in the Economic Case will not negatively impact the Council's Medium-Term Financial Plan. This includes assessing the past financial performance of the Council in terms of the past (2018/19), the current financial position and the forecast performance going forward to check that the project does not affect the Council's statutory financial obligations and does not place unmanageable financial risk on the General Fund and the HRA.

- 2.6.1 The report that was presented to this committee in September 2019 advised that the estimated figure that would be available for the potential scale of investment over a 10 year period would be in the region of £3.5billion. This figure has been further refined and is shown in the table below. In addition, the figure has been forward estimated for a 20 year period and this figure is also included below. These budget funds cover all areas which could potentially be in scope for the Enterprise Strategic Commercial Partnership and they demonstrate that there is a plan in place for the level of funding available.

Funding Line	10 years (£m)	20 years (£m)
Community Investment Fund	694	1,388
Composite Capital Programme	329	658
Housing Capital	1,533	3,066
Revenue Repairs	551	1,102
Capital Receipts, section 75 obligations and city deal	182	182
Road Maintenance	125	250
Total	3,414	6,646

- 2.6.2 As part of the detailed Contract and Supplier Management arrangements that would require to be put in place for such a partnership all estimates will require to be kept under detail review on at least an annual basis and would be part of the forward planning process with the partnership. Looking forward figures will require to reflect the changing funding environment faced by local authorities, involving council strategic priorities and wider economic factors such as inflation, interest rates, new house build, council tax, rent levels and the level of government grant support.
- 2.6.3 To manage this situation effectively, a key objective of the partnership is that expenditure will need to be managed within resources available throughout the length of the partnership and, at any period in time, ensuring that the partnership is both flexible and scalable to the availability of finance. The transformational nature of the partnership will help to utilise this investment in a more pro-active manner and will provide drive and a level of security to delivering the councils major plans and initiatives going forward.

2.7 Management Case

The management case intends to demonstrate that the Preferred Option is capable of being delivered successfully and in accordance with recognised best practice. It ensures that the project can be implemented in accordance with a recognised Programme and Project Management methodology and that there are robust arrangements in place for change and contract management, the delivery of benefits and the management and mitigation of risk.

- 2.7.1 A robust governance structure already exists to be able to take the project forward. A Project Sponsor (Executive Director of Enterprise and Communities), Senior Responsible Officer (Head of Asset and Procurement Solutions) and dedicated Project Manager (Commercial Contract Manager) have been identified in line with the council's project management model. A Project Board is in operation and encompasses chief officers responsible for the in-scope existing services from Enterprise and Communities and chief officers and representatives from the corporate services (Finance, Legal, HR, and Procurement). The board operates under a Terms of Reference setting out roles and responsibilities and provides oversight, direction and reviews progress. In line with the risk controls, governance will be reviewed after OBC approval to ensure the appropriate balance of membership and knowledge is aligned to take account of the approved project.
- 2.7.2 During the procurement and mobilisation of the Partnership the project will require greater support for the project delivery team above. On the basis of the OBC outcomes, it is expected that 5.5 Full-Time Equivalent council employees will be required, as well as external legal, financial and technical advisers.
- 2.7.3 The management arrangements post partnership mobilisation are not able to be developed in detail until the delivery solution through dialogue is identified. The assumptions in the OBC indicate that the partnership should be strategic in output with the partner capable of managing an end to end delivery. The transfer of delivery risk would lead to the council acting as 'Intelligent Client' with the required capabilities to be able to appropriately manage the partnership to deliver its scope of services, and have confidence that requirements are being met, risks are being managed, and that ultimately the Council is getting value for money from delivery.
- 2.7.4 The organisational 'core competences' and 'intelligent client' capability will require the council to resource sufficient suitably qualified and experienced staff. The personnel implications and changes to corporate structure will require to be fully analysed and developed in parallel with the emerging business solution. Section 2.5.8.4 identifies that an in-depth review will be undertaken.
- 2.7.5 A detailed Stakeholder Engagement and Communication Matrix has been developed for the project to identify and classify key stakeholders and provide a communications strategy for this stage of the project. This document be reviewed and revised if applicable at each of the next project stages (procurement, implementation and mobilisation) to align with changes in project activity.
- 2.7.6 A high level indicative project plan is included in Appendix 4 and highlights the potential key project milestones. It is important to note, however, that the project programme which will be adopted will be developed after OBC approval and in collaboration with a number of stakeholder parties to align to the approved project, the complexity of the selected procurement procedure, take account of the level of appropriate constraints and dependencies, due diligence and warranted data risks. The adopted programme will still be subject to procurement variances such as the

unknown number of bidders and the final bid with regards to transition proposals such as phased mobilisations.

2.7.7 The management of project specific risks is an essential part of the development process. Risks will be managed in accordance with the Council's Risk Management Strategy and council's procedures. Responsibilities for risks are set out in the Project Board Terms of Reference. In line with the council's project management model a Preliminary Risk Assessment was undertaken with the project board. A project risk register was produced in detail for stage 1 of the project (development of the OBC) and strategic high level risks identified for the 4 follow on project stages (procurement, transition, mobilisation and operations). At each project stage, a comprehensive risk review updates the risks to detailed project risks with detailed controls which are then regularly reviewed and monitored. High rated outstanding risks are escalated and reported in full as a standing item to the Project Board.

2.7.8 A Benefits Realisation Plan will be developed to:

- confirm the benefits that are expected to arise from the Partnership
- Identify the measure/indicators that will be used to assess whether or not the expected benefits are realised
- Establish the baseline measure for each expected benefit
- Set the target measure for each expected benefit, to be achieved through implementation of the project
- Set out the timescales for delivery of the expected benefits
- Identify the individual responsible for delivering each benefit

2.8 OBC Conclusions

2.8.1 The OBC outlines why the Council should consider investing in the partnership. Through quantitative analysis, the OBC articulates possible delivery model options for the partnership, including a Preferred Option, based on how the development of an Enterprise Strategic Commercial Partnership will have a fundamental role in delivering on our shared ambition.

2.8.2 The Full Strategic Partnership (Single JV) delivery model was selected as the Preferred Option and can act as an intelligent, innovative and dynamic partner that can manage delivery for the Council, as well as bring the added enterprise value and investment that the North Lanarkshire seeks.

2.8.3 There is a viable procurement route and assessment shows that the Competitive Dialogue Procedure is a relevant approach for this procurement which could provide the council with the opportunity to help shape the solution and the commercial structure of the partnership with feedback it receives from the market.

2.8.4 The OBC demonstrates that the procurement of the project will be managed and governed in a way that ensures progress that is appropriately assured and controlled.

2.8.5 The OBC illustrates the benefits that a Full Strategic Partnership could deliver to the council and the communities of North Lanarkshire. It has proven that the partnership could substantially contribute and drive the ambitions articulated in the Plan for North Lanarkshire and has the ability to substantially improve the lives and wellbeing of our residents and recommends proceeding to the procurement phase of the project.

- 2.8.6 Issues related to State Aid and vires have been considered. These matters will be kept under review as the solutions develop and with a final review at the Full Business Case.

3. Equality and Diversity

3.1 Fairer Scotland Duty

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

3.2 Equality Impact Assessment

- 3.2.1 A full equality impact assessment will be completed subject to approval of the Outline Business Case and will be reviewed throughout the procurement process.

4. Implications

4.1 Financial Impact

- 4.1.1 The Financial Case demonstrates that the procurement of a new Enterprise Strategic Commercial Partnership is financially viable, and it summarises the financial investment that will be required to bring the new Partnership in to being.

- 4.1.2 The Project Board for overseeing the Enterprise Strategic Commercial Partnership includes representation from the Financial Solutions Service and they will continue to play an active part through the procurement, implementation and the post implementation process going forward.

4.2 HR/Policy/Legislative Impact

- 4.2.1 Section 2.5.8 of this report outlines the human resource implications including TUPE and which identifies that an in-depth analysis of the council's existing service delivery will be undertaken as the partnership and operating models develop during the procurement stage to determine the 'in-scope' posts and employees which may be impacted upon.

4.3 Environmental Impact

- 4.3.1 It is envisaged that the new Partnership will bring an innovative and cohesive approach to assist the council in developing sustainable, carbon neutral communities.

4.4 Risk Impact

- 4.4.1 Section 2.3.10 of this report identifies the high level strategic risks that were reviewed and that these are appropriate for this stage of the project.

- 4.4.2 Section 2.7.7 of this report confirms that the risk assessment and management process will be in accordance with internal procedures.
-

5. Measures of success

- 5.1 The five cases of the OBC demonstrate, through objective analysis, why the council should consider investing in the Partnership and proceed to the procurement phase of the project.
- 5.2 The Preferred Option, as outlined in the economic case, would see a Full Strategic Partnership comprising a Joint Venture between the council and a single partnering arrangement that has the capability to deliver the wide scope of services in a way that helps the council to:
1. Shape North Lanarkshire
 2. Enhance our economy
 3. Regenerate our communities
 4. Provide cohesive maintenance and repairs
 5. Focus on whole-life investment
 6. Achieve more efficient and effective delivery
 7. Move towards more sustainable and carbon neutral communities
 8. Provide access to additional resources
- 5.3 This new Partnership supports 20 of the 25 ambition statements; the Enterprise partnership is a key driver for 9 of these ambition statements (2, 3, 5, 6, 17, 21, 22, 24, 25) and contributes to 11 other ambition statements (1, 4, 10, 11, 12, 14, 15, 16, 18, 19, 23) and demonstrates that it will be the catalyst for the successful delivery of The Plan for North Lanarkshire and its key priorities.

6. Supporting documents

- 6.1 Appendix 1: Scope Outcome Recommendations
- 6.2 Appendix 2: Long List Options Assessment
- 6.3 Appendix 3: Short List Options Appraisal
- 6.4 Appendix 4: High level Project Plan
- 6.5 The Executive Summary of the Outline Business Case will be available in the Members Library.



James McKinstry
Head of Asset and Procurement Solutions

Appendix 1: Scope Outcome Recommendations

All items noted below, except those which are preceded by RETAIN IN-HOUSE remain recommended as the scope for the Enterprise Strategic Commercial Partnership

Enterprise Strategic Commercial Partnership

STRATEGIC PLACE SHAPING AND NEW INFRASTRUCTURE

Schools & Centres modernisation programme - design and construction delivery
Nursery expansion infrastructure delivery -1140 Hours
New Build Programme (Housing) - development, procurement and delivery
Tower Demolition Programme
Corporate buildings and existing schools: capital investment programme delivery, demolitions programme delivery,
Corporate buildings and existing schools: design, costing and technical advice
Partnership with NHS - New or adaptation of accommodation - professional technical accommodation standards/specifications advice
City Deal Programme - development, design and construction delivery of major projects
Strategic delivery of regeneration / partnership projects (e.g. town centre projects)
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)
Development of regeneration / partnership projects (e.g. town centre projects and associated CPO activity)
Parks and Open Space Strategy - delivery, feasibilities
Post occupation evaluations (New Builds)
Full range of infrastructure and land associated professional services and technical advisory services

ENTERPRISE

*RETAIN IN HOUSE Delivery of in-house Employability type services

RETAIN IN HOUSE In-house delivery of Supported Enterprise (Supported Employment)

RETAIN IN-HOUSE - Supported Enterprise - N.L. Industries

*Note that the Enterprise ambitions will remain a procurement requirement for the partner to invest in, deliver and contribute to the Employability agenda for North Lanarkshire through their own resources.

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

PHYSICAL ASSET MANAGEMENT AND SUSTAINABILITY

Property Maintenance - Corporate Property, Schools , Social Care, NHS
Asbestos Non Housing Properties: asbestos management surveys, master recording, asbestos removal etc.
Office Accommodation Works
Housing Repairs Programme
Housing Legislative Services (Gas Servicing, Electrical, Asbestos, Water Quality)
Legislative Services - Energy Programme Delivery
Housing Investment Delivery Programme (SHQS / EESSH) upgrade of existing stock - works and delivery etc.
Void Management - technical property letting standards
Homelessness and Temporary Accommodation - property condition
Smarter Homes / Health & Social Care Links -feasibilities and delivery
Winter Services and Treatment of school grounds (gritting)
Roads Maintenance and Management
Street and Festive Lighting Maintenance, Management and Maintenance
Traffic Engineering (Maintenance Traffic Signals, Bus Stops and Shelters)
Structural design and Bridge Maintenance
Geotechnical Advice, Ground Investigation and Design, contaminated land advice
Flood risk management plans and implementation of maintenance
Asset Management: Energy monitoring, consumption, supply
Undertake Suitability Assessments of physical space if required by Forward Planning
Private Sector Housing - Care & Repair /Handyperson Scheme

AMBER - North Lanarkshire Properties Ltd (Commercial lets)
AMBER - Estates Services: Sale /acquisition of land, cartographic services, Land surveying and land ownership research, Professional property advice

Appendix 2: Long List Options Assessment

Criteria: Critical Success Factors	1. Business As Usual	2. CIC/ALEO	3. Service JV	4. Traditional Outsource	5. Hub SW Scotland Ltd	6. LABV	7. Strategic Partnership – Independent JVs	8. Full Strategic Partnership – Single JV
Provides a one stop shop for all the Council's property and infrastructure needs		x	x	x	P	✓	✓	✓
Provides appropriate specialist expertise to meet primary scope requirements		x	P	P	P	P	✓	✓
Has the ability to access other professional services (to meet secondary/ad hoc scope requirements)		P	P	x	✓	✓	✓	✓
Has the experience/ability (single or combined) to manage the complex and diverse range of delivery vehicles required		x	P	x	P	x	✓	✓
Be a minimum of [20] years, however the underlying operating models should be re-procured as appropriate		✓	✓	x	x	✓	✓	✓
Provides skills and training opportunities to North Lanarkshire residents (including apprenticeships)		P	P	x	✓	P	✓	✓
Provides local employment opportunities		P	P	P	P	x	✓	✓
Provides support to local SMEs		P	P	x	✓	x	✓	✓
Has the capability to identify and access opportunities to leverage additional alternative sources of funding to maximise public investments to enable the delivery of the Council's ambitions		x	x	x	✓	✓	✓	✓
Supports and delivers on the Council's contingency planning responsibilities as required		x	x	x	x	x	✓	✓
Summary	Baseline	Discount	Discount	Discount	Discount	Discount	Shortlist	Shortlist

Appendix 3: Short List Options Appraisal

Criteria: Partnership Investment Objective(s)	Weighting	Weighted Score (out of 400)		
		Business As Usual (Baseline)	Strategic Partnerships – Independent JVs	Full Strategic Partnership – Single JV
Shaping North Lanarkshire Regenerating Our Communities Sustainable and Carbon Neutral Communities	50%	100.00	200.00	200.00
Access to Resources	10%	0.00	30.00	40.00
Enhancing North Lanarkshire's Economy	20%	20.00	40.00	80.00
Cohesive Maintenance and Repairs Focused, Whole Life Investment	10%	10.00	30.00	40.00
More Efficient and Effective Delivery	10%	10.00	20.00	30.00
Total	100%	140.00	320.00	390.00
Percentage that it meets NLC objectives		35%	80%	98%

Appendix 4: Indicative High level Project Plan

Milestone / Activity	Indicative End Date
Policy & Strategy Committee OBC Approval	19 March 2020
Competitive Dialogue Procurement Finished	20 October 2021
Submission of Full Business Case (FBC)	29 April 2022
Policy & Strategy Committee FBC Approval	31 May 2022
Partnership Agreement Executed	12 July 2022
Transition Plans for Mobilisation Phasing	12 July 2022