

North Lanarkshire Council

Report

Housing and Regeneration Committee

approval noting

Ref BL / GS

Date 20/05/20

Proposed Extension to Central Heating Servicing and Maintenance Contract

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Executive Summary

The purpose of this report is to seek approval to extend the council's central heating servicing and maintenance contract with Saltire Facilities Management Ltd (Saltire Ltd), which is due to expire in January 2021. The extension/s will align these services with the development of the new Enterprise Strategic Commercial Partnership, and ensure continuity of service provision.

The OBC for the Enterprise Partnership was presented to Policy and Strategy Committee on 19 March 2020 and was approved. Although still at a very early stage in the project, the report noted a potential indicative programme for a contract award in August 2021, hence the need to extend the Saltire contract.

Recommendations

It is recommended that Housing and Regeneration Committee:

- (i) Agree to extend the current partnership arrangement with Saltire Ltd – in accordance with the terms of the contract - to facilitate full synchronisation with the development and implementation of the Enterprise Strategic Commercial Partnership (the 'Enterprise Partnership').
- (ii) Agree that the duration of the contract be extended for up to three years within the existing provisions of the contract provided that a review is reported to and approved by committee prior to each extension.
- (iii) At this time, committee approval is sought to extend the contract by 1 year from January 2021.
- (iv) Note and approve the forecast contract expenditure increase, and note the associated risks.

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 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 council then sold its 33% shareholding in the company in May 2017.
- 1.2 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. The outcomes from this review were reported to the Communities and Housing Committee on 22 May 2019, where it was noted that the contract with Saltire Ltd has an initial contract period of ten years (expires January 2021), and that the council, at its sole discretion, has the option on giving 6 months written notice to extend the term for a period or a succession of periods not exceeding three years in total, should this be deemed to be in the council's best interests.

2. Report

Saltire Performance

- 2.1 Following the conclusion of the year 8 review, Saltire Ltd has continued to deliver a quality service, with performance reported on a 6 monthly basis to Housing & Regeneration Committee.
- 2.2. The council is now considering what future service delivery should look like beyond the current partnership delivery arrangement.
- 2.3 In September 2018, a change in strategic direction for the council set out a shared ambition for inclusive growth and prosperity for the people and communities of North Lanarkshire. There followed a restructure of council services to ensure functions were appropriately aligned with the shared ambition, including the establishment of Enterprise and Communities which integrates the full range of functions that deliver interconnected services across the wider community environment. It is clear that this new shared ambition takes us beyond looking solely at housing and corporate property repairs and maintenance.

Enterprise Strategic Commercial Partnership

- 2.4 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 (P001 in the council's Programme of Work).
- 2.5 On 26 September 2019, Policy and Strategy Committee approved the scope in principle for the Enterprise Partnership, for the purposes of developing the Outline Business Case (OBC), and this includes central heating repairs and maintenance. Although still at a very early stage in the project, the report noted a potential indicative programme for a contract award in August 2021, however this is subject to a whole

series of key stage approvals and procurement process outcomes that will actually determine a firm date.

- 2.6 The OBC for the Enterprise Partnership was presented to Policy and Strategy Committee on 19 March 2020 and was approved.
- 2.7 To avoid a potential gap in service provision across central heating servicing and maintenance, it is proposed that contract is extended for a period/s to allow alignment with the availability of the Enterprise Partnership.
- 2.8 Timescales for mobilisation will be better understood once the Full Business Case for the Enterprise Partnership is finalised, however, the overall programme will be reviewed by the Enterprise Partnership Project Board at key stages, and this will allow the council to determine the specific details of any extension to the Satire Ltd contract.
- 2.9 Given that it is not possible to definitively predict timescales for the Enterprise Partnership at this time, it is proposed that Committee delegate the authority to extend the contract and period/s of any such extension to the Executive Director of Enterprise and Communities.

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 out on completion of the Outline Business Case for the Enterprise Partnership.

4. Implications

4.1 Financial Impact

- 4.1.1 At the time the contract was procured, it was estimated that its value would likely fall within the range £110-143m. The contract itself stipulates a Schedule of Rates (for ad hoc work) and a Unit Price (for cyclical annual servicing works in respect of an agreed list of properties) – the overall contract value is, therefore, subject to fluctuations in the volume of works or the proportion of activity instructed through the contract. There is no cap on the payments to be made to Saltire in accordance with the contract. At 31/12/19 the total spend was £98,762,021. The projections for spend in each of the possible extension periods are as follows:-

Year 1 of extension	up to £13,500,000
Year 2 of extension	up to £13,500,000
Year 3 of extension	up to £13,500,000

Please note that due to the current crisis; COVID 19, the figures presented above do not include the projected spend for the current financial year 20/21 (original contract ends in January 2021) this will be finalised once the crisis ends and business as usual recommences.

4.1.2 It is proposed that the contract be extended in accordance with its own provisions: the option to extend the contract “*for a period or a succession of periods not exceeding three years in total*” is provided for in the contract and can be exercised at the Council’s sole discretion. There will be no change in the scope of the contract or the schedule of rates. Accordingly, this proposal does not necessitate any modification to the terms of the contract, albeit it is recognised that the forecast spend will exceed the value estimated when the contract was procured. The process for capturing the Council’s requirements for the appointment of a new contractor is already underway. Until the process is completed it is not possible to specify an end date for the contract nor a final cost.

4.2 HR/Policy/Legislative Impact

4.2.1 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

4.3.1 There are no environmental considerations at this time.

4.4 Risk Impact

4.4.1 We consider the risk of the projected additional sum identified to potentially extend the contract up to January 2024 to be low. We will continue to ensure contractual requirements are complied with in full.

5. Measures of success

5.1 Once the COVID-19 emergency is over, Saltire Ltd will continue to successfully deliver the council’s central heating servicing and maintenance contract until a new delivery vehicle, currently being considered as part of the Enterprise Partnership, is fully implemented and mobilised. This will ensure continuity of service provision for our tenants.

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

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

6. Supporting documents

6.1 There are no appendices to this report.

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