

North Lanarkshire Council

Report

Housing and Regeneration Committee

approval noting

Ref BL / GS

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Proposed Extension to Housing and Corporate Property Repairs and Maintenance Contract

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Executive Summary

The purpose of this report is to revisit the decision taken previously by the Enterprise and Housing Committee (10 May 2018) to allow the contract for housing and corporate property repairs and maintenance to expire at the end of initial contract period in January 2021. In order to align these services with the development of the new Enterprise Strategic Commercial Partnership, and ensure continuity of service provision, it is proposed that the contract with Mears LLP is now extended – in accordance with its terms - beyond the initial contract period.

The OBC for the Enterprise Partnership was presented to Policy and Strategy Committee on 19 March 2020 and was approved. Therefore, it is proposed that the decision previously taken by Enterprise and Housing Committee to allow the Mears LLP contract to expire at the end of the initial contract period (January 2021) be revisited to facilitate alignment with the development and implementation of the Enterprise Partnership. 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 Mears contract.

Recommendations

It is recommended that Housing and Regeneration Committee:

- (i) Agree to extend the current partnership arrangement with Mears LLP 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 the associated risks.
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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 In 2010, Morrison Scotland LLP successfully bid to become the council's strategic partner to deliver housing and corporate property repairs and maintenance. The contract commenced on 21 January 2011. Mears PLC subsequently bought Morrison Facilities Services Ltd from Anglian Water as a going concern, so now own the 67% shareholding in the Mears Scotland LLP (Mears LLP) strategic partnership and the inherent North Lanarkshire service contract. North Lanarkshire Council owns the remaining 33% of Mears Scotland LLP. The contract with Mears LLP has an initial contract period of ten years (expires January 2021). The council, at its sole discretion, has the option at any time prior to the expiry date to extend the term for a period or a succession of periods not exceeding three years in total.
- 1.2 On 10 May 2018, a report was presented to the Enterprise and Housing Committee detailing the findings from the year 8 joint service review of the Mears LLP strategic partnership. The review confirmed that the partnership was performing well and delivering on its key objectives.
- 1.3 The review also indicated that the projected spend to the end of the initial contract period would exceed the estimated value of the contract (£390m). Committee approved £55m of further expenditure to the end of the initial contract period, but agreed to allow the contract to come to its natural end without extension.

2. Report

- 2.1 Following the conclusion of the year 8 review, the partnership with Mears LLP has continued to deliver a quality service with performance reported on a 6 monthly basis to Communities and Housing Committee.
- 2.2 During the summer of 2018, the council began to consider what future service delivery should look like beyond the current partnership delivery arrangement. Indicative timescales for agreeing and implementing the future delivery model had been outlined in the review report.
- 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 housing and corporate property 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 housing and corporate property repairs and maintenance, it is proposed that the decision previously taken by Enterprise and Housing Committee to allow the Mears LLP contract to expire at the end of the initial contract period (January 2021) be revisited to facilitate alignment with the development and implementation of the Enterprise Partnership , and that authority is now given for the contract to be extended in accordance with its terms.
- 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 Mears LLP 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 – based on a number of assumptions as to the predicted proportion and volume of activity – that the value of the contract was circa. £390m. During the year 4 review it was recognised these assumptions and the proportion and volume of activity that formed the original contract were inaccurate, and this led to BVES changes to the contract at that time. Market failure and other external factors also required the council to issue an element of capital works through the contract with Mears LLP.
- 4.1.2 In May 2018 the projected spend to end of the initial contract period (January 2021) was £445m, and approval was granted by Policy and Strategy Committee for the additional sum of £55m (14%).

4.1.3 The contract provides for payment to Mears in accordance with a Schedule of Rates – 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 Mears. At the 31/12/19 the total spend was £381,184,969. The projections of spend for each of the possible extension options is as follows:-

Year 1 of extension up to £50,000,000
Year 2 of extension up to £50,000,000
Year 3 of extension up to £50,000,000

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.

4.1.4 It is proposed that the contract be extended in accordance with its own provisions: the option to extend the term of 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 any time prior to 31 January 2021 at the Council’s sole discretion. There will be no change in scope of the contract or 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 in 2010. 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 extended period of the current 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.

4.2.2 Environmental Impact

4.3.1 There are no environmental considerations at this time.

4.2.3 Risk Impact

4.4.1 The projected additional sum identified to potentially extend the contract up to January 2024 is not free from risk, but we are satisfied that there is a reasonable basis for the recommendations outlined in this report. 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, Mears LLP will continue to successfully deliver the council’s housing and corporate property repairs and maintenance service until a new delivery vehicle, currently being considered as part of the Enterprise Strategic Commercial Partnership, is fully implemented and mobilised. This will ensure continuity of service provision for our tenants and residents.

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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