

Clerk Name: Mark Hamill
Clerk Telephone: 07811294702
Clerk Email: hamillm@northlan.gov.uk



19 March 2024

Members of the Council

Chief Executive's Office

Archie Aitken
Chief Officer (Legal & Democratic)
Civic Centre, Windmillhill Street,
Motherwell ML1 1AB
www.northlanarkshire.gov.uk

Notice is given that a Meeting of the **Council** is to be held in the Council Chamber, Civic Centre, Windmillhill Street, Motherwell, ML1 1AB on Thursday, 28 March 2024 at 16:00 PM which you are requested to attend.

The agenda of business is attached.

Des Murray
Chief Executive

Members :

D Ashraf, A Ballinger, C Barclay, B Baudo, A Beveridge, M Boyd, H Brannan-McVey, G Brennan, B Burgess, A Bustard, J Cairns, A Campbell, T Carragher, C Costello, M Coyle, S Coyle, D Crichton, G Currie, P Di Mascio, K Docherty, K Duffy, A Duffy-Lawson, H Dunbar, T Fisher, F Fotheringham, W Goldie, K Harmon, M Hughes, J Hume, L Jarvie, D Johnston, T Johnston, J Jones, P Kelly, J Keltie, A Khan, K Larson, J Leckie, G Lennon, J Logue, H Loughran, F MacGregor, A Masterton, M McBride, B McCluskey, A McCrory, B McCulloch, M McCulloch, P McDade, F McKay, R McKendrick, J McLaren, C McManus, F McNally, M McPake, J McPhilemy, A McVey, L Mitchell, L Nolan, P Patton, J Reddin, L Roarty, D Robb, G Robinson, N Shevlin, W Shields, A Smith, K Stevenson, A Stubbs, L Stubbs, R Sullivan, A Thomas, J Toner, S Watson, C Williams, N Wilson, G Woods.

Agenda

- 1 **Declarations of Interest In Terms of the Ethical Standards In Public Life Etc. (Scotland) Act 2000**
- 2 **Presentation - The Plan for North Lanarkshire - Programme of Work to 2028**
- 3 **Internal Audit report – Allegations raised with Audit Scotland in respect of the current Housing and Property Maintenance Contract**
Submit report by the Chief Officer (Audit and Risk) (copy to follow)
- 4 **The Enterprise Strategic Vehicle – Roads and Infrastructure Maintenance and Improvement Services – Contract Award** 11 - 56
Submit report by the Chief Officer (Assets and Procurement) seeking approval to award a contract for the future delivery of Roads and Infrastructure maintenance and improvement services to Hochtief PPP Solutions GmbH following the completion of a procurement exercise undertaken in accordance with the Public Contracts (Scotland) Regulations 2015 and the Council's General Contract Standing Orders.
- 5 **Internal Audit report - Enterprise Project Housing and Corporate Property Procurement** 57 - 80
Submit report Chief Officer (Audit and Risk) advising of the results of Internal Audit's recent work updating earlier assessments of the adequacy and effectiveness of the Enterprise Project's governance arrangements.
- 6 **The Enterprise Strategic Vehicle – Housing and Corporate Maintenance and Improvement Services Contract – Contract Award** 81 - 132
Submit Report by the Chief Officer (Assets and Procurement) seeking approval to award the contract for the future delivery of Housing and Corporate Maintenance and Improvement Services to Mears Limited following the completion of a procurement exercise undertaken in accordance with the Public Contracts (Scotland) Regulations 2015 and the Council's General Contract Standing Orders.

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|----|---|-----------|
| 7 | Minutes of Meetings of Committees, Sub-Committees and Panels - Cycle 1 Submit volume of minutes of meetings of committees, sub-committees and panels for cycle 1 for approval in terms of standing order number 21 (copy to follow) | |
| 8 | Changes to Political Balance Submit report by the Chief Officer (Legal and Democratic) advising of changes to the political balance applicable to committees and seeking a decision as to the allocation of places on specific Committees/Sub-Committees. | 133 - 138 |
| 9 | Clydeplan and Regional Spatial Strategy Governance Arrangements Submit report by the Chief Officer (Place) advising of the new governance structures to continue progress on a collaborative approach to regional planning following the publication of National Planning Framework 4 | 139 - 150 |
| 10 | Membership of Committees, Sub-Committees, Panels, Working Group and Outside Bodies Submit proposed amendments to Membership of Committees, Sub-Committees, Panels, Working Groups and Outside Bodies (copy to follow) | |
| 11 | Scheme of Administration Submit report by the Chief Officer (Legal and Democratic) seeking approval to amend the Scheme of Administration to reflect the organisational and structure changes agreed by the Policy and Strategy Committee at its meeting on 7 December 2023, and to streamline the oversight for Active and Creative Communities under the remit of a single committee. | 151 - 156 |
| 12 | Remit from the Finance and Resources Committee held on 28 February 2024 - Treasury Management Strategy 2024-25 Treasury Management and Prudential Indicators 2024-25 to 2028-29 Submit report by the Chief Officer (Finance) outlining the Treasury Management Strategy for 2024/2025 in accordance with the CIPFA Code of Practice on Treasury Management and reporting on the treasury and prudential indicators as required by the above code and the CIPFA Prudential Code for Capital Finance in Local Authorities | 157 - 202 |

NOTICE OF MOTIONS

13

Notice of Motion submitted by Councillor Fotheringham and Councillor Sullivan

“This Council agrees to investigate the potential to plant ‘Living Christmas Trees’ as a cost effective and environmentally friendly option across all North Lanarkshire Towns and Villages. Following the recent appointment of a Project Development Officers (Trees) and receipt of £1M of one off funds, this would form part of the operational plan to guide replanting and further guided by the Clyde Climate forest work on urban tree canopy across all Council wards;

That it be noted that the living Christmas Trees would be a substantial size, 2.5 to 3 metres tall, with the cost of a containerised/rootballed tree in the region of £1,100;

Furthermore, environmentally friendly lighting options such as solar lighting will be explored to keep ongoing maintenance and costs down; All of which would be subject to consultation with Community Boards, in conjunction with the Community Partnership Officers and Land Management Teams, to identify appropriate streets or parks for placement of these Christmas Trees to be enjoyed by future generations.”

That a report on the outcome of the investigations be submitted to the appropriate Committee of the Council for consideration

Notice of Motion submitted by Councillor Lennon and Councillor Di Mascio

"This Council recognises the economic vitality of North Lanarkshire relies significantly on the growth and sustainability of micro and small to medium-sized enterprises (SMEs);

This Council notes it is recognised that collaborative efforts and shared expertise are crucial in fostering an environment conducive to business start-ups and development.

This Council agrees, the integration of diverse perspectives, including those of elected members, council officers, business leaders, and community partners, can lead to more comprehensive and effective support strategies.

Therefore, this Council agrees to establish the following:

1. A Cross-Party Working Group is hereby established, tasked with exploring and recommending strategies to support the initiation and growth of micro and SME businesses within North Lanarkshire.
2. The Working Group shall comprise:
 - Elected members from across the political spectrum to ensure diverse representation and inclusive decision-making.
 - Officers from relevant council departments who can provide expertise in local governance, economic development, planning, and regulatory frameworks.
 - Representatives from the business community in North Lanarkshire, which may include representation from organisations such as Federation of Small Businesses and the Lanarkshire Chamber of Commerce, acknowledging their critical role and insight into the business community's needs and challenges.
 - Other partners and stakeholders, including but not limited to business incubators, academic institutions, and community organisations, who can contribute valuable perspectives and resources.
3. The purpose of the Working Group will be to:
 - Conduct a comprehensive analysis of the current business landscape in North Lanarkshire, identifying barriers to start-up and growth for micro and SME businesses.

- Review existing support mechanisms and assess their effectiveness in meeting the needs of the local business community.
 - Engage with the business community and other relevant stakeholders to gather insights and suggestions.
 - Develop recommendations for policy, programmes, and initiatives designed to enhance support for micro And SME businesses, with a focus on simplifying start-up processes, providing tailored guidance and resources, and fostering a supportive business ecosystem.
4. Establish if current business rate relief is used to full capacity and if further reductions are required (costed via finance)
 5. The Working Group is tasked with presenting a report of its findings and recommendations to the Council within six months from its establishment.

This motion calls upon all Council members to support the establishment of the Cross-Party Working Group as a step towards strengthening the economic foundation of North Lanarkshire through enhanced support for micro and SME businesses. This approach will ensure North Lanarkshire truly is a place to Work and Invest.”

15 **Notice of Motion submitted by Councillor Brennan and Councillor Crichton**

“Council agrees that Standing Order 31 be amended as undernoted:-

Any Motion, Amendment or Composite Motion shall meet the criteria of Competency and Relevancy. Any Motion, Amendment, or Composite Motion that fails to demonstrate the above shall be deemed by the Provost as ‘Not Competent’, in accordance with Standing Orders 23 and 24”

Notice of Motion submitted by Councillor Crichton and Councillor Brennan

“In realising the requirement for council to act transparently, and in particular towards providing relevant information to the electorate of North Lanarkshire, Council hereby accepts and agrees to display publicly online, via the MARS system and/ or any other appropriate means, all submitted council motions , whether deemed competent or non-competent by the Provost’s office.

This in turn allows the electorate to better understand and reference the full scope of representation being made by elected members on their behalf.

This process should be adopted for motions and amendments submitted in relation to all council meetings ongoing following 28th March 2024 meeting.

In addition, a footnote from the Provost office should accompany any rejected motions detailing the rationale behind refusal, based on the interpretation of competency.

The small and insignificant cost attaching to this motion has been provided by Chief Officer (Finance) and is circa £110 per annum”

Notice of Motion submitted by Councillor Lennon and Councillor Di Mascio

"Recognising the need for a transparent and objective process in the evaluation of motions and composite motions submitted to this council, this council agreed to amend the current practices concerning the Provost's discretion in ruling Motions, Composites, and Amendments as competent or incompetent.

To this end, the council proposes the following amendments and initiatives to standing order 23 and 24 respectively.

1. Establishment of a Documented Evaluation Criteria: The council shall develop a clear, documented criteria that includes a matrix or benchmarking to assess the competency of Motions, Composites, and Amendments. This criteria will be designed to minimise subjective decision-making and ensure that all Motions, Amendments and Composites are evaluated against predefined, objective standards.
2. Formation of a Cross-Party Working Group: A Cross-Party Working Group will be established, comprising members from different political affiliations within the council and officers. The purpose of this group will be to define the criteria and standards to be used in the documented evaluation process. The criteria and process developed by this group will be presented for approval at the next full council meeting.
3. Guidance on Motion Competency: In cases where a Motion, Composite or Amendment is deemed incompetent, the Provost will continue not only provide the reasons for such a ruling but will also offer feedback. Officers will, when applicable, engage with members on how to amend a refused motion, composite, or amendment to meet competency criteria. This approach ensures that members have a clear understanding of the deficiencies and encourages a constructive pathway towards compliance, fostering a fairer and more democratic process.

Amended Text Proposal for Standing Order 23:

"The Provost shall consider any Motion, Amendment or Composite submitted in accordance with this Standing Order. Utilising a documented evaluation criteria developed by the council, which includes objective criteria and benchmarks, the Provost will assess the competency of the Motion, Amendment or Composite. Within five days of receipt of the Notice of Motion, should the Motion, Amendment or Composite be deemed incompetent, the Provost will continue

not only provide the reasons for such a ruling but will also offer feedback. Officers will, when applicable, engage with members on how to amend a refused motion, composite, or amendment to meet competency criteria. This approach is aimed at promoting fairness, transparency, and democratic values in the council's decision-making processes."

This motion emphasises the commitment of this council to enhance the objectivity, transparency, and democratic fairness of council's procedures, ensuring that all members regardless of political affiliation, have a clear and equitable opportunity to contribute to the governance and decision-making processes."

QUESTIONS

18

**Questions Received in Terms of Standing Order 51 -
None Received**

North Lanarkshire Council Report

Council

Does this report require to be approved? ☒ Yes ☐ No

Ref JMcK/GP

Date 28/03/24

The Enterprise Strategic Vehicle – Roads and Infrastructure Maintenance and Improvement Services – Contract Award

From James McKinstry - Chief Officer (Assets and Procurement)
Lyall Rennie - Chief Officer (Community Operations)

E-mail mckinstryj@northlan.gov.uk **Telephone** 07939281102

Executive Summary

The purpose of this report is to seek approval to award a contract for the future delivery of Roads and Infrastructure maintenance and improvement services to Hochtief PPP Solutions GmbH following the completion of a procurement exercise undertaken in accordance with the Public Contracts (Scotland) Regulations 2015 and the council's General Contract Standing Orders.

The proposed contract will allow the council to access a range of maintenance, repair and investment services for its roads and related infrastructure assets, under a single contractual agreement. These include:

- reactive maintenance;
- incident response services;
- routine maintenance;
- winter maintenance planning and delivery;
- inspections; and
- investment and improvement projects/programmes.

The proposed contract will have a minimum initial period of eight years with contract extensions available, at the council's discretion, to a maximum contract duration of twelve years.

The estimated upper financial limit of the proposed contract, over the maximum duration of the contract, including contingency, is £450 million.

From the outset the council had a strong conviction that the proposed contract needed to be more than a straightforward buyer - contractor transactional arrangement. Pre-procurement development work and early market engagement indicated that a strategic relationship, with long term commitment, a focus on operational delivery, joint improvement and high level of cooperation had scope to achieve added value and long-term gains for North Lanarkshire's residents, communities, and businesses.

The proposed contract will deliver a range of service improvements, increase efficiency and importantly create significant social value for the local area at a scale not achievable from current practice.

Should the Council approve the award of the proposed contract, the contractual documentation will be concluded, and subject to the observance of a mandatory standstill period, the contract will be awarded and mobilised. 'Day one' services are now targeted to commence on 5 August 2024, and the remaining services commencing thereafter on a phased basis in accordance with the agreed service transition plan.

Project Governance

The Project Board meets regularly to oversee all aspects of the Enterprise Project, in addition periodic reports are provided to the corporate management team and Committee.

Internal Audit has reported previously on this project on three occasions, with the reports providing generally positive assessments of the project governance arrangements. Internal Audit has recently completed further work in relation to aspects of the Enterprise Project as part of the 2023-24 Internal Audit Plan. The results of the latest audit were reported, under separate cover, as part of the agenda for the meeting of the Council on 28 March 2024.

Recommendations

It is recommended that the Council:

1. approve the award of the contract, as detailed in this report, for Roads and Infrastructure Maintenance and Improvement Services to Hochtief PPP Solutions GmbH;

The Plan for North Lanarkshire

| | |
|--------------------|--|
| Priority | All priorities |
| Ambition statement | (24) Review and design services around people, communities, and shared resources |

1. Background

In 2019, North Lanarkshire Council (the 'council') outlined a shared vision for long-term growth and prosperity for the area's communities focused on inclusivity - plan for North Lanarkshire (the 'Plan').

The Enterprise Project is a key element of the council's work programme to fulfil the Plan. It aims to establish an integrated approach for the future delivery of repairs, maintenance and investment in the council's housing, corporate and roads and infrastructure asset portfolio.

Phase one of the Enterprise Project focuses on three substantial public procurements to support the agreed delivery model and to secure continuity of essential service provision;

1. Housing and Corporate maintenance and improvement services (the 'Housing and Corporate Contract');
2. Roads and infrastructure maintenance and improvement services (the 'Roads Contract'); and
3. Place shaping advice and services (the 'Place Shaping Contract').

Its ambition is to:

- develop an innovative new approach to delivery for a full range of interconnected property, community asset and infrastructure investments to ensure the Council delivers on its shared ambition for inclusive growth and prosperity for the people and communities of North Lanarkshire;
- create strategic relationships with a small number of best-in-class, Tier 1, private sector contractors while cultivating an integrated internal 'intelligent client' function and bolstering internal commercial capacity and expertise;
- support the delivery of key policy themes, such as social value, fair work practices; and
- deliver a range of service improvements and increase efficiency.

The Policy & Strategy Committee has previously received a number of reports updating on the progress and development of the Enterprise Project and in its previous form, the Enterprise Strategic Commercial Partnership;

- Enterprise Strategic Commercial Partnership reports:
 - February 2019;
 - March 2020;
- Enterprise Project reports:
 - December 2021;
 - December 2022; and
 - December 2023.

In addition, a report was provided to a meeting of the Council on the 17 August 2023.

This report confirms the outcome of the procurement exercise for the Roads Contract, the financial implications of the award of the proposed contract, and the benefits that the contract will deliver.

The existing Roads and Infrastructure maintenance contract currently delivered by Amey LLP in a Joint Venture with the council was due to expire on 1 June 2024.

The short-term extension to the current contract with Amey Public Services LLP, approved by the Policy and Strategy Committee on 7 December 2023 has been actioned, the contract now due to expire on 4 August 2024.

The award of the proposed contract will provide the successor arrangement to the current contract.

2. Report

- 2.1 The proposed contract will allow the council to access a range of maintenance, repair and investment services for its roads and related infrastructure assets, under a single contractual agreement. These include:
- reactive maintenance;
 - incident response services;
 - routine maintenance;
 - winter maintenance planning and delivery;
 - inspections; and
 - investment and improvement projects/programmes.
- 2.2 The services will be delivered to the following roads and related infrastructure assets including but not limited to:
- approximately 11.5 million square metres of carriageways;
 - approximately 4.5 million square metres of footways;
 - approximately 550 structures (bridges, retaining walls, subways, etc);
 - three reservoirs (Strathclyde Loch, Broadwood Loch and Forrestburn Reservoir);
 - approximately 250 culverts and trash screens;
 - approximately 64,000 luminaries and approximately 2.3 million metres of street lighting cables;
 - more than 3,000 signs; and
 - more than 200 traffic management systems.
- 2.3 The size and scale of the roads and related infrastructure assets to be maintained may increase or reduce during the contract term as a result of new or additional assets being added (e.g., via scheme / developer led schemes, new adoptions, etc) or the impact of changes to the built environment, supply arrangements, or other legislative measures or policy decisions.

The Proposed Contract - scope, duration and estimated spend

2.4 The scope of the proposed contract comprises two main parts:

Core Services

- The provision of reactive services initiated by the council including fixing a service failure or service performance issue where the work can be determined from the specification / price list set out in the contract, normally without requirement for design, professional services, consents, specialist elements, changes to the specifications and / or provision of drawings (the 'Core Services'). Core Services include repairs to carriageways, car parks, structures, replacement of street lighting luminaires, traffic light outages. Core Services are generally revenue funded with an estimated value of circa £13.4m per annum; and
- Services and works projects / programmes initiated by the council to comply with legislation, and to maintain the performance of an asset where the work can be determined from the specification / price list set out in the contract, with minimal requirement for design, professional services, consents, specialist elements, changes to the specifications and / or provision of drawings (may include repetition, delivery at scale).

Core Projects

- The provision of works projects / programmes (the 'Core Projects') initiated by the Council up to stated value thresholds for design (£450k per order) and works (£3m per order) delivery to maintain and / or improve the performance of an asset where the work may be determined from the specification and price list or agreed via an engagement process in which case pricing shall be wholly derived from the specification and price list; design and project management may be required relating to the works, including in-scope professional services, consents, specialist elements, changes to the specifications and / or provision of drawings (may include repetition and / or delivery at scale). Core Projects include road junction upgrades, re-lamping investment programmes, resurfacing programmes. Core Projects are generally funded from capital with an estimated value of circa £16.6m per annum.

2.5 Further detail as to the services that will be provided under the proposed contract and the individual contracts that will be incorporated in the proposed contract was included in the report considered at the meeting of the Council on 17 August 2023, for convenience, this information is reproduced as Appendix 3 and Appendix 4 respectively.

2.6 The proposed contract will have a minimum initial period of eight years with contract extensions available, at the council's discretion, to a maximum contract duration of twelve years. When considering any extension(s) to the contract, the council may take into account factors such as the contractor's performance, changes in service requirements and consideration of alternate service delivery options.

2.7 The proposed contract was advertised with an estimated maximum value of £450m over the maximum twelve-year contract period. The estimated value of the proposed contract was derived from analysis of historical spend data, adjusted where required, to reflect future service requirements and estimated order volumes. The estimated contract value ensures that there is sufficient capacity within the proposed contract to

accommodate all aspects of the contract scope, and a contingency allowance to accommodate growth and unforeseen peaks in demand.

- 2.8 The proposed contract does not guarantee the contractor a minimum level of business. The actual value of the contract will be determined by the work types and volumes the council orders, the extent to which the contractor secures Core Projects, and ultimately by budget availability. This means that the actual total value of the proposed contract when in operation, will fall somewhere in the range of between £160m¹ and £450m².

¹Assumes that the contract is in operation for the maximum 12-year contract term, Core Services only and that no contingency is required.

²Assumes that the contract is in operation for the maximum 12-year contract term, Core Services and all Core Projects and that all of the contingency is required.

Exclusivity and the Contractors obligation to provide the services

Core Services

- 2.9 Subject to the satisfactory performance of the contract, the contractor shall have an exclusive right and obligation to act as the council's external provider in the delivery of the majority of Core Services during the term of the contract. The exceptions offered on a non-exclusive basis, are shown in Appendix 3.
- 2.10 The contractor is obligated to provide the Core Services granted on an exclusive basis. Where the contractor fails to deliver these services in accordance with the contract the council shall, be entitled to:
- remove the contractor's exclusivity (in whole or in part) for such period of time as the council may determine; and/or
 - exercise its contractual options in respect of the contractor's failure to carry out the services or meet quality standards.
- 2.11 For in-scope design and professional services orders, as part of Core Services, the contractor shall have exclusivity up to a financial threshold of £250,000. Subject to the contractor satisfying criteria relating to performance and capacity, the contractor shall have first opportunity to develop proposals through a documented engagement process for orders between £250,000 and £450,000. If the contractor fails to satisfy the council's requirements, then the council reserves the right to procure the required services by other means. Design and professional services above the £450,000 threshold are excluded from the contract, these will be procured and from a wider market representation.

Core Projects

- 2.12 For Core Projects the contractor shall have exclusivity up to a financial threshold of £750,000, subject to the contractor satisfying criteria relating to performance and capacity.
- 2.13 The council will provide the contractor with the 'first opportunity' to submit proposals for the delivery of individual Core Projects as described in the Annual Service Delivery Plan.
- 2.14 Where the council issues a project request for a Core Project and the Core Project is included in the Annual Service Delivery Plan, the contractor is obligated to submit a project response for and (where required by the council) to provide that Core Project. Where the Core Project is not included in the Annual Service Delivery Plan the

contractor shall use all reasonable endeavours to submit a project response for that Core Project within the required timescales and (where a Core Project Contract is agreed by the council) deliver the Core Project.

- 2.15 The decision to issue a project request is at the council's sole discretion. The contractor's right of 'first opportunity' is awarded at the discretion of the council. In reviewing the position, the council may take into account factors such as:
- the contractor's performance of its obligations under the contract;
 - the quality and/or competitiveness of previous project responses;
 - the extent to which it has met its social value commitments;
 - the council's timescales; and
 - the contractor's capacity.
- 2.16 This commercial approach ensures that the council will always pay the 'market rate' for Core Projects.

The Procurement Process

Pre- procurement activity

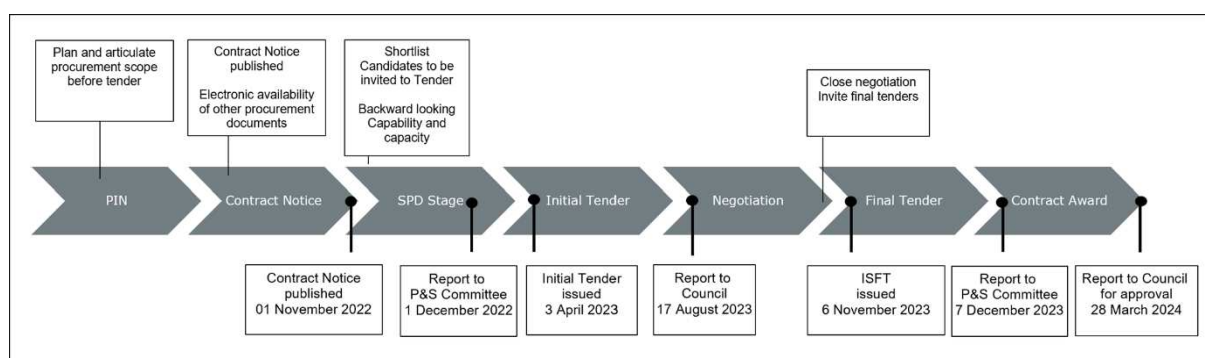
- 2.17 The procurement of the service requirement was complex and required significant market engagement, stakeholder consultation, scope and price modelling, contract drafting, data gathering, and analysis.
- 2.18 The pre-procurement preparatory work, undertaken collegiately with internal service teams and drawing on advice and expertise from the project's external advisers, involved a comprehensive review of terms and conditions of contract, service requirements, pricing approaches, and performance monitoring to ensure that the successor contracts to the current arrangements deliver commercial advantage for the council, the public purse and secure the intended wider socio/economic benefits for North Lanarkshire.
- 2.19 A Prior Information Notice (PIN) was published on 21 September 2021 and received 103 notes of interest from potential contractors. Thereafter, between October 2021 and August 2022, the council conducted 5 rounds of market engagement. The engagement took the form of online plenary events, followed by one-to-one meetings between potential bidders and the Project Team and senior stakeholders.
- 2.20 The council also issued a number of supplier surveys which resulted in the sharing of valuable information which helped inform the final design of the proposed contract and to structure the procurement approach in a way that would deliver the project objectives and encourage a level of market participation that would support a viable procurement.
- 2.21 The extensive interaction with potential bidders provided the council with a reasonable degree of confidence that the contract opportunity would attract sufficient market interest and an expectation that the procurement could be progressed to a successful conclusion.
- 2.22 The council also held an information event in conjunction with Supplier Development Programme to signpost the tender opportunity, explain the council's approach, the potential implications and opportunities for the market, including small and medium sized organisations ('SMEs') to engage with the contract opportunity.
- 2.23 An update on the pre-procurement activity and the challenging prevailing market conditions, which may adversely impact on the number of potential bidders participating

in the procurement, was provided to the Policy and Strategy Committee in December 2021.

The procurement procedure

- 2.24 The procurement procedure was conducted in accordance with the Public Contracts (Scotland) Regulations 2015 (the 'Regulations') and the council's General Contract Standing Orders. The tender process was conducted digitally using the Public Contracts Scotland Tender (electronic PCS-T) system.
- 2.25 The procurement process was undertaken in accordance with the Competitive Procedure with Negotiation procedure (Regulation 30 of the Public Contracts (Scotland) Regulations 2015), which involves two post-selection stages of tendering (Initial Tenders and Final Tenders, both with clarification exchanges as required) with an intervening period of negotiation. An overview of the procurement procedure, current status and timeline for completion of the procurement and mobilisation of the proposed contract is summarised in Figure 1.

Figure 1



- 2.26 The Contract Notice and supporting procurement documentation was published on the UK Find a Tender Portal and the Public Contracts Scotland Portal on 1 November 2022, this formally launched the procurement.

Selection stage

- 2.27 Following the comprehensive and positive pre-procurement market engagement, four requests to participate in the procurement (the "Selection Stage submissions") were received by the 9 December 2022 response deadline.
- 2.28 The Selection Stage submissions were evaluated against the council's predetermined published selection criteria, which included economic and financial standing, business probity, technical and professional ability, and organisational approaches to fair work and environmental practices.
- 2.29 The evaluation determined that all four Selection Stage submissions met the council's selection criteria and could be progressed to the next stage of the procurement. However, in accordance with the published evaluation methodology only the three highest scoring Selection Stage submissions were progressed to the next stage of the procurement. The following organisations, presented in alphabetical order, were progressed to the next stage of the procurement:

- Amey OW Ltd;

- Hochtief PPP Solutions GmbH; and
- Kier Highways Ltd.

collectively (the 'Bidders').

Aitkins Ltd who achieved the fourth highest score was discontinued from the procurement at this point. Atkins Ltd was formally notified of this decision.

- 2.30 The selection stage criteria and outcome of the evaluation of the Selection Stage submissions was included in the report considered at the meeting of the Council on 17 August 2023, for convenience, this information is reproduced as Appendix 5.

Initial Tender stage

- 2.31 The Bidders were issued with Invitation to Negotiate documentation on the 3 April 2023 and invited to provide an Initial Tender submission to the council.
- 2.32 All three Bidders submitted Initial Tender submissions (the 'Initial Tender submissions') by the 30 June 2023 response deadline. The Initial Tender submissions were assessed against the council's predetermined published award criteria, which included service delivery, social value, contract terms and commercial approaches.
- 2.33 The summary assessment of the financial elements of the Bidder's Initial Tender submissions indicated that the cost of providing the services under the proposed contract will be broadly comparable with current costs.
- 2.34 Assessment of the qualitative aspects of the Initial Tender submissions comprised, at this stage of the procurement, an assessment, as to whether for each of the qualitative award criteria, the Bidders either 'met the requirement' or as 'not yet meeting the requirement'.
- 2.35 The assessment determined that only one Bidder satisfied all 26 of the 26 criteria assessed at this stage. The other two Bidders, at this stage of the procurement, assessed as yet not meeting 1 and 7 of the 26 criteria assessed. The 'Legal' criterion was not assessed at this time.
- 2.36 The qualitative award criteria assessed as 'not yet meeting the requirement' was not of significant concern at that time, as the next steps in the procurement process were designed to facilitate improvement in both the financial and qualitative aspects of a Bidders' Initial Tender submission, and that a positive contract award decision would be contingent on the Bidder who is recommended for contract award meeting the council's requirements in full.
- 2.37 The high-level award stage criteria and outcome of the assessment of the Initial Tender submissions was reported to the Policy and Strategy Committee on 7 December 2023. Appendix 6 contains further detail of the award criteria and for convenience the outcome of the assessment of the Initial Tender submission is reproduced as Appendix 7.

Negotiation stage

- 2.38 The negotiation stage commenced on 1 September 2023 and completed on 3 November 2023.
- 2.39 The negotiations focused on key technical, operational, legal and commercial issues aimed at the Bidders improving on their Initial Tender submissions in their Final Tender submissions. The negotiation stage was also used to emphasise to the Bidders any

elements of their Initial Tender submissions which ‘as yet does not meet’ the council’s requirements, with the Bidders encouraged to improve their proposals appropriately in their Final Tender submissions in accordance with the procedure set out in the Regulations.

- 2.40 The project plan made provision for three rounds of negotiation with the Bidders, however given the complexity, the range and importance of the discussions, an additional round of negotiation was required.
- 2.41 The negotiations were positive, providing a high degree of confidence that the improvement opportunities and other matters discussed during the negotiations would be confirmed / addressed in the Bidders’ Final Tender submissions.

Final Tender stage

- 2.42 An invitation to submit a Final Tender was issued to the Bidders on 6 November 2023 with all three Bidders providing their Final Tender submissions by the 8 December 2023 response deadline.
- 2.43 The Final Tender submissions were evaluated against the council’s predetermined published award criteria, the award criteria remained unchanged from the Initial Tender stage.
- 2.44 The award criteria included technical and commercial sections that were evaluated against the following high-level criteria and weightings:
- Quality 60% (Technical); and
 - Price 40% (Commercial).
- 2.45 Evaluation of all stages of the procurement was undertaken in accordance with the approved evaluation plan for each respective stage of the procurement. Evaluation was undertaken by a multi-disciplinary team, with over 40 individual evaluators involved in the evaluation of each of the Selection stage, Initial Tender, and Final Tender submissions.
- 2.46 The price and quality evaluations were undertaken concurrently but remained separate and independent to each other. The scores for both were consolidated at the final tender stage to provide an overall score.

Price evaluation

- 2.47 The price evaluation was conducted in accordance with the methodology set out in the procurement documents. The outcome of the price evaluation is shown in Table 1.

Table 1

| Level 1 Criteria | Level 1 Weighting | Bidder 1 Weighted Price Score | Bidder 2 Weighted Price Score | Bidder 3 Weighted Price Score |
|------------------|-------------------|-------------------------------|-------------------------------|-------------------------------|
| Price | 40% | 40.00% | 32.64% | 26.06% |

Evaluation of Quality criteria

- 2.48 The project objectives comprise a number of factors designed to contribute to the delivery of the Council’s vision for the area and wider policy commitments. Cost, while an important factor, is not the only consideration.

- 2.49 Evaluation of the qualitative aspects of the Final Tender submissions comprised the scoring of each of the qualitative award criteria using the agreed marking scheme, all 27 award criteria were scored at the final tender stage.
- 2.50 The evaluation determined that all three Bidders' Final Tender submissions met all 27 of the council's qualitative award criteria, most by a comfortable margin, Table 2 provides further detail.

Table 2

| Possible quality scores | Number of award criteria | | |
|--|--------------------------|----------|----------|
| | Bidder 1 | Bidder 2 | Bidder 3 |
| Score of 100 (max possible score) | 24 | 22 | 14 |
| Score of 75 | - | 4 | 8 |
| Score of 50 (min scoring threshold required) | 3 | 1 | 5 |
| Score of 25 | - | - | - |
| Score of zero (min possible score) | - | - | - |
| | | | |
| Total | 27 | 27 | 27 |

- 2.51 The evaluation of the qualitative criteria was conducted in accordance with the methodology set out in the procurement documents. The outcome of the qualitative evaluation is shown in Table 3.

Table 3

| Level 1 Criteria | Level 1 Weighting | Bidder 1 Weighted Quality Score | Bidder 2 Weighted Quality Score | Bidder 3 Weighted Quality Score |
|------------------|-------------------|---------------------------------|---------------------------------|---------------------------------|
| Quality | 60% | 54.60% | 54.85% | 48.11% |

Appendix 8 provides further detail of the outcome of the evaluation of the qualitative criteria.

Most Economically Advantageous Tender

- 2.52 The total scores for Price and Quality were combined to provide the overall outcome of the evaluation of the Final Tender submissions (the identification of the Most Economically Advantageous Tender). Table 4 provides the final overall outcome of the procurement.

Table 4

| Bidder | Quality score (max 60%) | Price score (max 40%) | Overall score | Overall Rank |
|--|-------------------------|-----------------------|---------------|--------------|
| Bidder 1 - Hochtief PPP Solutions GmbH | 54.60% | 40.00% | 94.60% | 1 |
| Bidder 2 | 54.85% | 32.64% | 87.49% | 2 |
| Bidder 3 | 48.11% | 26.06% | 74.17% | 3 |

- 2.53 As identified in Table 4, the Bidder who has submitted the most economically advantageous Final Tender is Bidder 1 - Hochtief PPP Solutions GmbH (the 'Preferred Bidder') and is therefore recommended for contract award.
- 2.54 A summary of the procurement process is provided as Appendix 1 and the SME status and location of Bidders as Appendix 2.

Financial Implications

- 2.55 The cost of the Preferred Bidder providing Core Services and Core Projects under the proposed contract would decrease by 26% when modelled against current costs (the 'Should Cost Model see para 2.80(c)').
- 2.56 One off contract mobilisation costs, which include the development of IT business interfaces and associated hardware/software, rebranding, training and development, and the expansion and upgrades to operational premises, of circa £932,655 would also be payable in the first year of the proposed contract.
- 2.57 The phased mobilisation of the new Core Services into the proposed contract will include the transition of existing contracts at their expiry. All in scope contracts are expected to have transitioned by March 2025.
- 2.58 The price evaluation included consideration of whether any of the Final Tender submissions appeared to be abnormally low (i.e. more than 15% below the median price). Extensive due diligence and a risk assessment was conducted on the Preferred Bidder's price submission, the explanations and supporting evidence provided by the Preferred Bidder satisfactorily accounts for the prices/costs contained in its Final Tender submission. The cost of providing the services under the proposed contract is assessed, as representing fair market rates and falling within acceptable parameters.
- 2.59 It is long established economic impact modelling principle, that money spent and retained in the local area has a significant multiplier effect as the spend circulates further through the local economy. General economic impact assessment modelling estimates that, for every £1 spent by, in this case, the council, there would be at least £3.00 of benefits delivered to North Lanarkshire as a whole by increasing output, increasing access to employment opportunities and improving health and social mobility, plus a series of other positive outcomes.

Comparison of the position at the Initial Tender stage with the Final Tender stage

- 2.60 The report to the meeting of the Policy and Strategy Committee on 7 December 2023, indicated that improvements/refinements to the Initial Tender submissions could reasonably be expected as the procurement progressed through the Negotiation stage to the final Tender stage.
- 2.61 The anticipated improvement opportunities and other matters discussed and agreed during the Negotiation stage were confirmed in the Final Tender submissions, the key outcomes for the Preferred Bidder are set out in Table 5.

Table 5

| | Description | Initial Tender submission | Final Tender submission |
|----|---|---------------------------|-------------------------|
| a. | Cost implications – estimated percentage variation when compared with current costs. (the ‘Should Cost Model’ para 2.80 (c)). | minus 14.87% | minus 26.56% |
| b. | Extent to which the council’s qualitative criteria are met (27 criteria) | 25 of 26* | all 27 |
| c. | Terms and conditions of contract | not yet agreed | agreed |
| d. | Mobilisation costs | £1.23m | £0.93m |

*The Legal qualitative criterion was not assessed at the Initial Tender stage.

Price Stability

- 2.62 The Preferred Bidder’s tendered prices and percentages will remain fixed during the tender validity period, thereafter, adjusted in line with good industry practice by the application of the Price Adjustment Formulae Indices Series 4 – Civil Engineering (referred to as PAFI 4 CE WCI).
- 2.63 The first price adjustment will be made on the contract commencement date and annually thereafter throughout the contract term.

Supply chain opportunities

- 2.64 The proposed contract will provide subcontract opportunities for local and regional organisations as not all the services to be provided under the proposed contract will be delivered directly by the Preferred Bidder.
- 2.65 Approximately 46% of the services (by value) will initially be delivered through a supply chain established and managed by the Preferred Bidder. The Preferred Bidder’s supply chain strategy is based on a combination of local supply chain partners and tier 1 strategic partners who can deliver at scale. The Preferred Bidder has indicated that its reliance on subcontractors will reduce in favour of in-house delivery over the contract term, where beneficial, to increase the resilience of the services, and to maximise the opportunities for local employment.

Social Value

- 2.66 Delivering social value at scale to benefit the local area was a key objective of the procurement. The community benefits approach was designed to deliver targeted benefits specific to the market and deliver outcomes such as:
- creating pathways into employment, training and apprenticeship opportunities for residents and priority groups;
 - supporting and creating significant and meaningful education initiatives to maximise opportunities for children and young people to realise their full potential;

- addressing skills shortages and improve the skills of local people for in-demand roles including digital skills;
- ensuring there are significant opportunities within the supply chain for local businesses, the third sector, and supported businesses; and
- engaging and listening to residents, communities, and businesses to maximise participation, capacity, and empowerment to ensure the Project is making a real difference and delivering impact across all communities.

2.67 To illustrate the positive step change that the proposed contract will secure, the Preferred Bidder's social value commitments, which will be contractualised, include:

- significant local new apprentice programme ;
- accelerator programme for local SMEs or voluntary, community and social enterprises;
- commitment to invest in innovations with up-front capital;
- commitment to annual budget for community partners community fund;
- investment in "women in construction" and "diversity of construction" programmes;
- commitment to building tendering capabilities through 'Meet the Buyer' events;
- commitment to run employability programmes that remove barriers to work for under-represented groups;
- fast-track procurement process in place to encourage local supply chain participation;
- development of bespoke social value communications app for all stakeholders to engage communities in reporting, providing feedback and prioritising needs/solutions;
- volunteer programme;
- sponsorship of local annual carbon reduction prize incentivised through an innovation seed fund;
- contribute to purpose-built community training hub offering training to apprentices and the wider community;
- contribute to virtual learning academy offering learning experiences to engage communities in learning about the sector and the contract whilst developing digital capabilities;
- procedure for all new employment opportunities (including apprenticeships) to be advertised locally via Jobcentre Plus and Fair Start Scotland employability contractors;
- employability training programme; and
- commitment to work with the council's community boards to establish an annual community partners programme.

The full list of the social value commitments contained in the Preferred Bidder's Final Tender submission is provided as Appendix 9.

Contractual Benefits

2.68 The proposed contract is markedly different from the current contract. The proposed contract and associated business change will secure a range of improvements and benefits when compared with the current contract and business practices including:

- all roads and infrastructure maintenance and investment projects/programmes from one contractor either directly or via supply chain arrangements established and managed by the contractor;
- updated Schedule of Rates and supporting specifications;
- removal of redundant Schedule of Rates;
- continuity of essential service provision;
- a large contract which adopts partnering principles that is aligned to deliver service improvement and increased value for money with appropriate risk/reward mechanisms in place;
- granular visibility over individual cost components with open book accounting by the contractor;
- further development of digitisation to support service delivery and reporting;
- designed to provide local and regional expertise by attracting and keeping SMEs;
- built in legal protections: contractual terms based on public sector model conditions (with appropriate adjustments) designed to protect public sector buyers. Investment projects/programmes adopting standard industry terms: various NEC4 forms of contract;
- supports council key policy themes such as: social value, sustainability, fair work practices and prompt payment;
- an environmental impact reduction plan to capture and monitor the contractor's commitments to emission reductions over the contract term (aligned to Scottish Government climate reduction measurement and the council's net zero priorities to 2030 and beyond);
- enhanced approach to performance monitoring through the use of strategic and operational Key Performance Indicators (KPI's), including the introduction of a Service Credit Model with financial deductions for failure to meet KPI's;
- an internal client team that is more effective and focused on meeting key objectives, through performance monitoring, forward planning, contract management and improvement initiatives, rather than handling day to day operational issues;
- a fully integrated internal client team that has access to good quality data in which to shape joined up strategies for asset management and meeting the needs of service users;
- an internal client team with the capacity, capability, training and experience to manage and deliver against objectives that link with the contract;
- flexibility in service to continuously evolve to reflect changes in financial and other circumstances; and
- to drive continuous improvement and seek opportunities to promote ongoing integration with other teams and initiatives within the wider council.

Full details of the benefits and improvements that the proposed contract will deliver are provided as Appendix 10.

Fair Work First Practices

- 2.69 The council is committed to the delivery of high-quality public services and recognises that this is dependent on a workforce that is well rewarded, well-motivated, well-led, has access to appropriate opportunities for training and skills development, is diverse and is engaged in decision making.
- 2.70 Within the procurement documentation, the Bidders were asked a question on their approach to Fair Work First and payment of the real Living Wage to their workforce. This question was in accordance with the applicable Scottish Government guidance on

“Fair Work First in Scottish Procurement”, the Scottish Government’s policy for driving high quality and fair work across the labour market in Scotland.

- 2.71 The Preferred Bidder has committed to adopt the principles of Fair Work First, by applying Fair Work criteria to its directly employed workforce and through its tender processes with its supply chain. This includes:
- paying the Real Living Wage to all employees, agency and sub-contractor workers;
 - removing any zero hours contracts, delivering its commitment of not using zero hours contracts and contractually cascade this commitment down to its supply chain;
 - support its SME supply chain via a dedicated supplier portal to:
 - assess gender equality in the workplace, and support improvement action plans;
 - assess subcontractor performance;
 - receive and evaluate tenders; and
 - embed and track achievement of environmental goals.
 - reducing environmental impacts and continue to practice responsible supply chain selection and management;
 - investing in its workforce development through annual accredited training;
 - embedding employee forums, surveys and board level representation;
 - driving innovation in collaboration with staff and supply chain partners to generate ideas for improvement; and
 - paying its suppliers on time (30 days) and through negotiation agree payment terms within 14 days of invoice receipt for SMEs.

Contract Management

- 2.72 It is recognised that a positive stepped change in the council's approach to contract management will be required in line with good industry practice to ensure that the proposed contract is managed effectively.
- 2.73 The foundations for the required improvement in the management of the proposed contract were laid in the pre-procurement development of performance measures and standards, monitoring and reporting provisions, contractual protections and remedies, these then integrated in the procurement process and embedded in the contract drafting.
- 2.74 The enabling provisions in the proposed contract need to be implemented as part of the transition arrangements to ensure, that in operation, the new contract is managed effectively, the benefits are secured, risks managed and the opportunities for continuous improvement maximised.
- 2.75 The essential elements for effective contract management will be in place for contract commencement, with the more advanced approaches developed and introduced, as a priority, on a phased basis thereafter. The approach will involve multiple layers of governance to provide essential scrutiny and oversight and set out clear roles and responsibilities for contract management and contract development activity.
- 2.76 [Community Operations], as the ‘contract owner’ will be responsible for the development and introduction of the improved contract management approach and implementation timeline.

- 2.77 Elected members will receive regular reports on contract and contractor performance through an enhanced suite of strategic and operational performance indicators at the relevant committee.

Best Value

- 2.78 The completion of the competitive procurement exercise has allowed the council to identify the bid that provides the optimal balance of benefits and cost. While this is sufficient to demonstrate that the award of the proposed contract represents best value, the council has incorporated a number of additional measures in the procurement, tender evaluation and the management of the proposed contract to reinforce the achievement of best value.
- 2.79 Collectively, these additional measures were designed to provide comparator(s) to the Preferred Bidder's Initial and Final Tender submissions to ensure that the council could:
- best understand the future cost of providing Core Services (affordability); and
 - secure and further evidence achievement of best value over the contract term.
- 2.80 The actions taken and the outcomes, are set out in paras 2.80(a-f):

a) Identify benchmarks to validate costs;

To validate the overall affordability, the Bidders' price submissions, in relation to a number of sample projects, was compared with current costs (the Should Cost model, para 80(c)). Costs were compared for the following sample projects:

- consultancy works;
- footways works;
- carriageway schemes; and
- improvement works.

The analysis of the comparison of the sample projects showed that the Bidders' price submissions fell within a range of minus 21% to plus 5% when compared with the Should Cost Model, all Bidders' price submissions within acceptable parameters.

b) Expect the Preferred Bidder to demonstrate value by using transparent pricing and other mechanisms ('open book');

The Preferred Bidder's commitment to transparent pricing and other mechanisms ('open book') was confirmed in its Final Tender submission.

The pricing model in the council's existing contracts only provide an overall total price for each Schedule of Rates item. The tender pricing model for the proposed contract was structured to include a breakdown of each Schedule of Rates into its component parts labour, materials, plant, management fee and profit to improve transparency of pricing.

c) Develop a 'Should Cost' model;

A Should Cost Model was developed to represent what the council would expect to pay for the proposed contract and to allow comparison with the cost of the current contracts. The Should Cost Model, aligned with good industry practice, used a number of existing sources of information including the schedule of rates costs of

current contracts for the in-scope services. Adjustments were made to the model to reflect the different pricing approaches included in the proposed contract, rates added to the scope, changes to the method of measurement, anticipated changes in rates based on market intelligence and adjustments for inflation.

The Should Cost Model also included an estimated future demand frequency for each schedule of rates item to represent a typical year's work for the services using historical information from existing contracts, and where appropriate, adjusted for anticipated changes in future demand.

The Should Cost Model allowed a comparison to be made with the financial elements of the Bidders' Initial and Final Tender submissions to identify the extent of any variation between the prices and rates in these submissions when compared with the Should Cost Model.

As the scope and the requirements of the proposed contract differ from the current arrangements it is not possible to compare all costs on the same basis, however around 80%, by value, are comparable.

The comparison between the Should Cost Model and the financial elements of the Preferred Bidder's Initial and Final Tender submissions is the means by which the percentage decrease in the cost of the services under the proposed contract, detailed at para 2.61 was calculated.

Given that the construct of the Should Cost Model is derived from reliable data sources and the high match rate that it provides with current costs, the Should Cost Model was assessed as being a reliable means to understand the financial implications of the proposed contract in addition to the Final Tender submissions received from the Bidders.

The Should Cost Model allows the council to best understand the future cost of providing Core Services (affordability).

d) to balance the scope of work which is granted on an exclusive basis;

Under the proposed contract, the contractor will not have an exclusive right to deliver all Core Projects (described in para 2.4). The contractor will only be awarded this work if the council is satisfied that the contractor's offer for these services, on a case-by-case basis, represents Best Value and otherwise meets the council's requirements, see paras 2.12 to 2.16.

Under the proposed contract, the contractor shall have an exclusive right and obligation to provide the majority of Core Services (described in para 2.4). However, the exclusivity arrangements may be partially or fully withdrawn if the contractor's performance is poor, based on agreed targets for performance and continuous improvement. Those offered on a non-exclusive basis will only be awarded if the council is satisfied that the contractor's offer for these services, on a case-by-case basis, represents Best Value and otherwise meets the council's requirements.

e) to increase the requirement for the Bidder to demonstrate value for money over the contract term for non-exclusive work; and

In addition to the provisions described in paras 2.80(b) and 2.80(d) the contractor is contractually obliged to conduct an annual review for the council, part of which

requires the contractor to demonstrate that Best Value has been achieved in the delivery of the in-scope services.

Contract provisions set out the requirements for future benchmarking and market testing.

(f) prescribe the procurement policy terms for advertising, quotations, and subcontracting.

Contract provisions set out the requirements in relation to subcontracting, advertising, quotations for non-exclusive works, elements of narrative orders and general requirement for a fair and transparent procurement process.

Best Value conclusion

- 2.81 The contract has been assessed on the basis of the Most Economically Advantageous Tender (MEAT) with price having 40% of the total score. The price / quality ratio was determined by reference to Scottish Government procurement journey guidance where the contract was classified as a “strategic” contract. The Preferred Bidder’s achievement of a 54.60% quality score, see para 2.52, also supports the positive assessment of Best Value.
- 2.82 The council is under a general duty of Best Value to *“make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.”* In addition, Audit Scotland has updated its approach to Best Value in October 2023 which will be reflected in its future audits of the Council – *“it is about ensuring that there is good governance and effective management of resources, with a focus on improvement, to deliver the best possible outcomes for the public”*.
- 2.83 The outcome of the competitive procurement, the collective actions set out in paras 2.80(a–f) together with;
- consideration of the financial implications detailed at paras 2.55 to 2.59;
 - the contractor’s quality submission, set out at para 2.51;
 - the contractors social value commitments, set out at para 2.66;
 - the benefits that the proposed contract, properly managed, will provide at para 2.68;
 - the provisions in the proposed contract to drive continuous improvement; and
 - the wider economic benefits, the ‘multiplier impact’, for the local area, set out at para 2.59.

has led us to conclude that the award of the proposed contract represents Best Value.

- 2.84 The assessment of Best Value is expected to continue throughout the contract term. The contract has been set up with sufficient flexibility to drive long term continuous improvement with contractual provisions for collaboration, meeting community needs through social value delivery, transparency, benchmarking, innovation, and efficiency in directly delivered and sub-contracted services embedded in the terms of the proposed contract.

Next steps

- 2.85 Subject to Council approval of the recommendation in this report, the council will, in accordance with the Regulations, commence a 10-day mandatory standstill period.

Subject to successful completion of the standstill period, the Council will award the contract to the Preferred Bidder.

- 2.86 Award of the contract will allow the commencement of a mobilisation period. A mobilisation plan will be developed with the Chief Officer – (Community Operations) overseeing delivery of the plan. The mobilisation plan will consist of activities such as preparation for integration of business systems; agreement of first year statutory compliance and planned preventative maintenance plan; year one service delivery plan; developing additional performance reporting; stakeholder communications and engagement plan; and process and procedure implementation.
- 2.87 The mobilisation plan will allow the agreed 'day one' services to commence on 5 August 2024, with the remaining services commencing thereafter on a phased basis in accordance with the agreed service transition plan.

3. Measures of success

- 3.1 The measures of success remain as previously reported to the Committee on 19 March 2020, namely that the Enterprise Project will help the council to:
- shape North Lanarkshire;
 - enhance our economy;
 - regenerate our communities;
 - provide cohesive maintenance and repairs;
 - focus on whole-life investment;
 - achieve more efficient and effective delivery;
 - move towards more sustainable and carbon neutral communities; and
 - provide access to additional resources.
- 3.2 The delivery model will continue to support twenty of the twenty five ambition statements, being a key driver for nine of these ambition statements (2, 3, 5, 6, 17, 21, 22, 24, 25) and contributing to eleven other ambition statements (1, 4, 10, 11, 12, 14, 15, 16, 18, 19, 23) and will be a catalyst for the successful delivery of the Plan for North Lanarkshire and its key priorities.
-

4. Supporting documentation

Appendix 1 – Summary of procurement process

Appendix 2 – SME status and location of Bidders

Appendix 3 – Scope of services

Appendix 4 – List of new services / current contractors

Appendix 5 – Selection stage outcome

Appendix 6 – Award criteria

Appendix 7 – Initial Tender outcome

Appendix 8 – Final Tender outcome - qualitative criteria

Appendix 9 – Social value commitments

Appendix 10 – Contractual benefits

Appendix 11 – External advisors fees

A handwritten signature in black ink that reads "James McKinstry". The signature is written in a cursive style with a long horizontal line extending from the end.

James McKinstry
Chief Officer – Assets and Procurement

A handwritten signature in black ink that reads "Lyall Rennie". The signature is written in a cursive style with a large, stylized 'L'.

Lyall Rennie
Chief Officer – Community Operations

5. Impacts

5.1 Public Sector Equality Duty and Fairer Scotland Duty

Does the report contain information that has an impact as a result of the Public Sector Equality Duty and/or Fairer Scotland Duty?

Yes ☒ No ☐

If Yes, please provide a brief summary of the impact?

The Enterprise Project aims to create, through the council's strategic contractual relationships with contractors, social value at scale for local communities. This will help the council to meet the requirements of the Fairer Scotland Duty to reduce socio disadvantage.

Socio economic impact is at the heart of the Enterprise Project and related contracts. The Enterprise Project will deliver a range of socio-economic benefits for the local community at a scale that cannot be achieved from current procurement and contract management practices. Targeted social value benefits will include;

- Employment Education & Skills - generate employment and training opportunities for school leavers, apprentices and unemployed people;
- Supply Chain Development & Opportunities - use small and medium sized enterprises (preferably local). Social enterprise or a supported business in supply chain;
- Community Engagement & Capacity Building – to benefit local communities;
- Environment - implement carbon reduction and sustainability initiatives; and
- Innovation - introduce innovation in delivery of services (e.g., digital tools, automation, working practices).

A single co-ordinated framework for delivering, measuring, and reporting socio economic impact across all Enterprise Project related contracts will be developed and implemented, this framework will be scalable for use across the wider organisation.

The council incorporates the statutory guidance on addressing 'Fair Work Practices' including payment of the Living Wage in all significant procurements

If Yes, has an assessment been carried out and published on the council's website? <https://www.northlanarkshire.gov.uk/your-community/equalities/equality-and-fairer-scotland-duty-impact-assessments>

Yes ☒ No ☐

5.2 Financial impact

Does the report contain any financial impacts?

Yes ☒ No ☐

If Yes, have all relevant financial impacts been discussed and agreed with Finance?

Yes ☒ No ☐

If Yes, please provide a brief summary of the impact?

Finance has been engaged with the Enterprise Project since its inception and is represented on the Project Board and the supporting professional advisors group.

The financial implications are set out at paras 2.55 to 2.59 of this report.

Contract expenditure will be managed from current General Fund budgets for repairs and winter maintenance and, where relevant, capital expenditure. Future costs will be incorporated into medium term financial planning processes considering contract inflation and thereafter considered as part of the Council's normal budget setting processes.

Given the potential scale, complexity and importance of this project in helping to realise the ambitions for North Lanarkshire, the Policy and Strategy Committee meeting in February 2019 agreed that to supplement inhouse capacity and capability, the procurement of appropriate specialist advice to support the procurement exercise be authorised.

External advisors' fees, for all aspects of Enterprise Project (including the linked predecessor project, the Enterprise Strategic Commercial Partnership) total £4.089m (as at Feb 2024). The external advisors' fees equate to 0.18% of the combined total upper estimated contract value of the two phase one Enterprise Project procurements. Professional advisors' fees typically equate to around 10% of the total cost of a project.

Advisors fees paid remain within estimates, fees have been incurred in accordance with internal procedures including committee approval/noting of contract awards.

Appendix 11 provides further details of external advisors fees.

External advisors are managed by the Project Team, with regular reports provided to the Project Board.

5.3 HR policy impact

Does the report contain any HR policy or procedure impacts?

Yes ☒ No ☐

If Yes, have all relevant HR impacts been discussed and agreed with People Resources?

Yes ☒ No ☐

If Yes, please provide a brief summary of the impact?

People Resources has been engaged with the Enterprise Project since its inception to ensure any and all HR considerations are addressed.

HR is represented on the Project Board and the supporting professional advisors' group.

5.4 Legal impact

Does the report contain any legal impacts (such as general legal matters, statutory considerations (including employment law considerations), or new legislation)?

Yes ☒ No ☐

If Yes, have all relevant legal impacts been discussed and agreed with Legal and Democratic?

Yes ☒ No ☐

If Yes, please provide a brief summary of the impact?

The Legal and Democratic service has been fully involved with the Enterprise Project since its inception and has sought advice from external legal advisors to ensure the council manages legal risks effectively.

Legal and Democratic is represented on the Project Board and the supporting professional advisors' group.

Legal advice has been and will continue to be sought to ensure compliance with applicable legislation and to ensure the council manages legal risks effectively.

5.5 Data protection impact

Does the report / project / practice contain or involve the processing of personal data?

Yes ☒ No ☐

If Yes, is the processing of this personal data likely to result in a high risk to the data subject?

Yes ☐ No ☒

If Yes, has a Data Protection Impact Assessment (DPIA) been carried out and e-mailed to dataprotection@northlan.gov.uk

Yes ☐ No ☒

5.6 Technology / Digital impact

Does the report contain information that has an impact on either technology, digital transformation, service redesign / business change processes, data management, or connectivity / broadband / Wi-Fi?

Yes ☒ No ☐

If Yes, please provide a brief summary of the impact?

The project includes securing efficiencies through further digitising aspects of information exchange and ways of working.

Where the impact identifies a requirement for significant technology change, has an assessment been carried out (or is scheduled to be carried out) by the Enterprise Architecture Governance Group (EAGG)?

Yes ☒ No ☐

5.7 Environmental / Carbon impact

Does the report / project / practice contain information that has an impact on any environmental or carbon matters?

Yes ☒ No ☐

If Yes, please provide a brief summary of the impact?

The Enterprise Project aims to develop an innovative new approach to delivery for a full range of interconnected property, community asset and infrastructure investments. As such, will help the council to create more attractive town centres, address areas of poor quality in the built environment, and encourage town centre living through greening and improved community assets. Added to this, the reshaping of North Lanarkshire's town centres will aim to incorporate more energy efficient housing and infrastructure and promote active travel and the use of public transport via the development of transport hubs / interchanges, to support future council targets for net zero emissions.

5.8 Communications impact

Does the report contain any information that has an impact on the council's communications activities?

Yes ☒ No ☐

If Yes, please provide a brief summary of the impact?

| |
|--|
| <p>Regular updates relating to the Enterprise Project have been provided in line with the agreed project communication plan, this will continue as the project progresses, through contract award, contract mobilisation and ongoing contract management phases.</p> |
| <p>5.9 Risk impact Is there a risk impact? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the key risks and potential impacts, highlighting where the risk(s) are assessed and recorded (e.g. Corporate or Service or Project Risk Registers), and how they are managed? Associated risks for the Enterprise Project are identified and managed in accordance with the agreed corporate project risk management methodology and monitored and reported via the Project Team and/or Project Board with risk escalation as required.</p> |
| <p>5.10 Armed Forces Covenant Duty Does the report require to take due regard of the Armed Forces Covenant Duty (i.e. does it relate to healthcare, housing, or education services for in-Service or ex-Service personnel, or their families, or widow(er)s)? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the provision which has been made to ensure there has been appropriate consideration of the particular needs of the Armed Forces community to make sure that they do not face disadvantage compared to other citizens in the provision of public services. The Preferred Bidder has made a commitment to diversifying its workforce through initiatives such as “Tradeswomen into Maintenance”, and the “Armed Forces Covenant”.</p> |
| <p>5.11 Children’s rights and wellbeing impact Does the report contain any information regarding any council activity, service delivery, policy, or plan that has an impact on children and young people up to the age of 18, or on a specific group of these? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the impact and the provision that has been made to ensure there has been appropriate consideration of the relevant Articles from the United Nations Convention on the Rights of the Child (UNCRC). If Yes, has a Children’s Rights and Wellbeing Impact Assessment (CRWIA) been carried out? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> |

Appendix 1 – Summary of procurement process

| | |
|--|--|
| CPT contract reference allocated: | NLC-SLP-22-064 |
| Procurement procedure utilised: | Competitive Procedure with Negotiation |
| Governing legislation / regulations: | Public Contracts (Scotland) Regulations 2015 |
| Date contract strategy approved: | 24 October 2022 |
| Date contract notice published: | 01 November 2022 |
| Tender platform utilised: | PCS-Tender (PCST) |
| Total expressions of interest received: | 26 |
| NLC based expressions of interest: | 4 |
| Selection Stage Submission return deadline: | 09 December 2022 |
| Number of Selection Stage Submissions received: | 4 |
| Selection Stage Submission's from SME's: | Nil |
| Selection Stage Submission's from NLC based Candidates: | 1 |
| Selection Stage Submission's from supported businesses: | Nil |
| Number of non-compliant Selection Stage Submission's: | Nil |
| Number of compliant Selection Stage Submission's: | 4 |
| Number of Candidates invited to Negotiation Stage: | 3 |
| Negotiation Stage commencement date: | 01 September 2023 |
| Negotiation Stage conclusion date: | 03 November 2023 |
| Final Tender Stage publication date: | 06 November 2023 |
| Final Tender Stage return deadline: | 08 December 2023 |
| Number of Tenders received: | 3 |

| | | | | |
|---|--|-----|---------------|-----|
| Tenders from SME's: | Nil | | | |
| Tenders from NLC based bidders: | 1 | | | |
| Tenders from supported businesses: | Nil | | | |
| Number of non-compliant tenders: | Nil | | | |
| Number of compliant tenders: | 3 | | | |
| Number of recommended bidders: | 1 | | | |
| Basis of Award: | Quality: | 60% | Price: | 40% |
| Evaluation Team: | Combination of Council Officers across Enterprise & Communities. | | | |
| Anticipated Start Date of the Agreement: | 05 August 2024 | | | |
| Total Agreement Period (Months): | 144 (includes available extension options) | | | |
| Awarded Value of the Agreement: | Up to £450 million | | | |

Appendix 2 – SME status and location of Bidders

| Name of Bidder | Size of Bidding Organisation (Micro, Small, Medium or Large) | Location of Bidder (Local Authority / Council Area) |
|-----------------------------|---|--|
| Hochtief PPP Solutions GmbH | Large | Essen, Germany |
| Bidder 2 | Large | North Lanarkshire |
| Bidder 3 | Large | Salford |

Appendix 3 - Roads and infrastructure maintenance and improvement services – Scope of services

| Key | Activity |
|-----|--|
| A | Reactive Maintenance and Incident Response Services |
| B | Routine Maintenance, Winter Maintenance Planning / Delivery, and Network Inspections |
| C | Investment / Improvement Projects and Programmes |
| D | Other Related Work |

| Level 1 | Level 2 | Level 3 | A. | B. | C. | D. |
|--|------------|--|---------|---------|---------|---------|
| 1. Carriageways & Car Parks | 1.1 Area | 1.1.1 Central reservation, roundabout, lay-by, traffic island, etc. | YES | YES | YES | YES |
| | | 1.1.2 Earthworks (embankments and cuttings, retaining walls height <1.35m) | YES | YES | YES | YES |
| | | 1.1.3 Fords and causeways | YES | YES | YES | YES |
| | | 1.1.4 Other surface types (e.g. paved) | YES | YES | YES | YES |
| | | 1.1.5 Pavement Layers | YES | YES | YES | YES |
| | | 1.1.6 Sweeping (large mechanical) | YES | YES | N/A | N/A |
| | | 1.1.7 Traffic calming | YES | YES | YES | YES |
| | 1.2 Linear | 1.2.1 Boundary fences, screens, environmental barriers and hedges | YES | YES | YES | YES |
| | | 1.2.2 Hard strip/shoulder verges/vegetation/road trees/arboriculture | YES - 1 | YES - 1 | YES - 1 | YES - 1 |
| | | 1.2.3 Kerbs | YES | YES | YES | YES |
| | | 1.2.4 Road drainage elements (gullies, drains, trash screens etc., but not large structures) | YES | YES | YES | YES |
| | | 1.2.5 Road markings | YES | YES | YES | YES |
| | | 1.2.6 Road studs | YES | YES | YES | YES |
| 2. Winter / Severe Weather | | | YES | YES | YES | YES |
| 3. Footways, Footpaths, Pedestrian Areas, Other Paved Areas & Cycle Tracks | 3.1 Area | 3.1.1 Other surface types (e.g. block paving & high amenity) | YES | YES | YES | YES |
| | | 3.1.2 Pavement Layers | YES | YES | YES | YES |

| | | | | | | |
|---------------------|--|--|-----|-----|-----|-----|
| | | 3.1.3 Unbound materials | YES | YES | YES | YES |
| 4. Structures | 4.1 Bridges | All elements including Heritage Repair and Restoration - Masonry and Metalwork | YES | YES | YES | YES |
| | 4.2 Chambers | | YES | YES | YES | YES |
| | 4.3 Culverts (span > 0.9m) | | YES | YES | YES | YES |
| | 4.4 High Mast Lighting Columns | | YES | YES | YES | YES |
| | 4.5 Retaining Walls (height > 1.35m) | | YES | YES | YES | YES |
| | 4.6 Sign / signal gantries and cantilever road signs / masts | | YES | YES | YES | YES |
| | 4.7 Special Structures | | YES | YES | YES | YES |
| | 4.8 Structural Earthworks | | YES | YES | YES | YES |
| | 4.9 Underpass / Tunnels | | YES | YES | YES | YES |
| | 4.10 Vehicle restraint systems | | YES | YES | YES | YES |
| 5. Street Lighting | 5.1 CCTV masts | All elements including column and foundations, brackets, luminaires, control equipment, cables, switching and internal wiring cabling. | YES | YES | YES | YES |
| | 5.2 Heritage columns | | YES | YES | YES | YES |
| | 5.3 Illuminated bollards | | YES | YES | YES | YES |
| | 5.4 Illuminated signs | | YES | YES | YES | YES |
| | 5.5 Lighting columns | | YES | YES | YES | YES |
| | 5.6 Lighting units attached to walls / wooden poles | | YES | YES | YES | YES |
| | 5.7 Seasonal & event Lighting | | YES | YES | YES | YES |
| 6. Street Furniture | 6.1 Roads | 6.1.1 Safety fences | YES | YES | YES | YES |
| | 6.2 Street scene / amenity | 6.2.1 Bins | YES | YES | YES | YES |
| | | 6.2.2 Bus shelters | YES | YES | YES | YES |
| | | 6.2.3 Bollards | YES | YES | YES | YES |

| | | | | | | |
|-------------------------------|---------------------------|---|---------|---------|---------|---------|
| | | 6.2.4 Cattle grids | YES | YES | YES | YES |
| | | 6.2.5 Gates | YES | YES | YES | YES |
| | | 6.2.6 Grit bins | YES | YES | YES | YES |
| | | 6.2.7 Pedestrian barriers | YES | YES | YES | YES |
| | | 6.2.8 Seating | YES | YES | YES | YES |
| | | 6.2.9 Street name plates | YES | YES | YES | YES |
| | | 6.2.10 Trees / tree protection etc. (decorative) | YES | YES | YES | YES |
| | | 6.2.11 Verge marker posts | YES | YES | YES | YES |
| | 6.3 Transport | 6.3.1 Traffic signs (non-illuminated) including Decriminalised Parking Enforcement Signing and Lining | YES | YES | YES | YES |
| 7. Traffic Management Systems | 7.1 Information systems | 7.1.1 Real-time passenger information | YES | YES | YES | YES |
| | | 7.1.2 Variable message signs | YES | YES | YES | YES |
| | | 7.1.3 Vehicle activated signs | YES | YES | YES | YES |
| | 7.2 Pedestrian signals | 7.2.1 Maintenance | YES - 1 | YES - 1 | N/A | N/A |
| | | 7.2.2 New Infrastructure / Upgrades | N/A | N/A | YES | YES |
| | 7.3 Traffic signals | 7.3.1 Maintenance | YES - 1 | YES - 1 | N/A | N/A |
| | | 7.3.2 New Infrastructure / Upgrades | N/A | N/A | YES | YES |
| | 7.4 Zebra crossings | 7.4.1 Maintenance | YES - 1 | YES - 1 | N/A | N/A |
| | | 7.4.2 New Infrastructure / Upgrades | N/A | N/A | YES | YES |
| 8. Land | 8.1 Verges and open space | 8.1.1 General fencing, barriers & gates | YES - 1 | YES - 1 | YES - 1 | YES - 1 |
| | | 8.1.2 Grass cutting | YES - 1 | YES - 1 | N/A | N/A |
| | | 8.1.3 Landscape and Ecology | YES - 1 | YES - 1 | YES - 1 | YES - 1 |
| 9. Specialist | 9.1 Asset Surveys | 9.1.1 Asset Inventory Information Data Collection (linked to in-scope services) | YES | YES | YES | YES |
| | | 9.1.2 Asset Surveys - Cyclical | YES - 1 | YES - 1 | N/A | N/A |
| | | 9.1.3 Asset Surveys - Specialist | N/A | N/A | YES - 1 | YES - 1 |

| | | | | | | |
|---------------------------|--|---|---------|---------|---------|---------|
| | 9.2 Cemetery memorial headstone stabilisation | | YES | YES | YES | NO |
| | 9.3 Electric vehicle infrastructure | | YES - 1 | YES - 1 | NO | NO |
| | 9.4 Memorial maintenance and cleaning | | YES | YES | N/A | N/A |
| | 9.5 Public Art Maintenance | | YES | YES | N/A | N/A |
| | 9.6 Reservoirs | 9.6.1 General maintenance | YES - 1 | YES - 1 | N/A | N/A |
| | 9.7 Roads Incident Response | 9.7.1 Incident response | YES | N/A | N/A | N/A |
| | 9.8 Specialist playground installation & surfacing works | | YES - 1 | YES - 1 | YES - 1 | YES - 1 |
| | 9.9 Temporary traffic management | 9.9.1 Traffic Management to facilitate Grass Cutting and Graffiti removal | YES - 1 | YES - 1 | N/A | N/A |
| | 9.10 Third party liability cost recovery | 9.10.1 Recovery of costs relating to damaged council property | YES | YES | YES | YES |
| 10. Professional Services | 10.1 Consultancy | 10.1.1 Capital projects - scheme prep, design & construction | N/A | N/A | YES - 1 | YES - 1 |
| | | 10.1.2 Professional Services General | YES - 1 | YES - 1 | YES - 1 | YES - 1 |
| | | 10.1.3 Programme Management | N/A | YES - 1 | YES - 1 | YES - 1 |
| | 10.2 Investigation | 10.2.1 Specialist inspections, including reservoirs | NO | NO | YES - 1 | YES - 1 |
| | 10.3 NRSWA noticing | 10.3.1 NRSWA noticing | YES | YES | YES | YES |

| KEY | |
|---------|--------------------------|
| YES | In-scope (exclusive) |
| YES - 1 | In-scope (non-exclusive) |
| N/A | N/A |
| NO | Excluded from scope |

Appendix 4 – New services

| Service Description | Estimated Annual Value | Bidder's Indicative Delivery Method |
|--|------------------------|-------------------------------------|
| Strategic Partnership - Roads, Street Lighting & Winter Maintenance | £10,500,000 | Self-deliver majority of works |
| Carriageway & Car Park Resurfacing / Reconstruction and Minor Repairs | £5,000,000 | Subcontract |
| Footway, Footpath and Paved Areas Resurfacing/Reconstruction and Minor Repairs | £2,500,000 | Subcontract |
| Provision of a Winter Assistance | £1,250,000 | Subcontract |
| Supply and Install of Electronic Signs | £500,000 | Self-deliver majority of works |
| Bridge Inspections | £280,000 | Subcontract |
| Supply of Electrical Road Signs | £225,000 | Self-deliver majority of works |
| Vehicle Restrain Systems Assessment | £150,000 | Subcontract |
| Traffic Signal Maintenance Contract | £65,000 | Subcontract |
| North Lanarkshire Council Road Lighting Design | £33,150 | Subcontract |
| Decriminalised Parking Enforcement Signing and Lining Maintenance | £32,000 | Subcontract |
| Traffic Management to Facilitate Grass Cutting Operations | £20,000 | Subcontract |
| Vehicle and Plant Hire | £15,000 | Subcontract |

Appendix 5 – Selection stage outcome summary

| Stage | Criteria | Results | | | |
|-------|---|-------------|----------------|-----------------------------|-----------------------|
| | | Amey OW Ltd | Atkins Limited | Hochtief PPP Solutions GmbH | Kier Highways Limited |
| 1G1 | Receipt and Collation of SPD Submissions | Pass | Pass | Pass | Pass |
| 2A1 | Compliance and Completeness Check | Pass | Pass | Pass | Pass |
| 2A2 | Information about the Bidder Check | Pass | Pass | Pass | Pass |
| 3B1 | Exclusion Grounds (Mandatory) | Pass | Pass | Pass | Pass |
| 3B2 | Exclusion Grounds (Discretionary) | Pass | Pass | Pass | Pass |
| 3B3 | Concluding Statement Check | Pass | Pass | Pass | Pass |
| 4C1 | Economic and Financial Standing (4B.4) | Pass | Pass | Pass | Pass |
| 4C2 | Economic and Financial Standing (4B.5.1, 5.2) | Pass | Pass | Pass | Pass |
| 4C3 | Economic and Financial Standing (4B.6) | Pass | Pass | Pass | Pass |
| 5D1 | 4D.1 and 4D.2 | Pass | Pass | Pass | Pass |
| 5D2 | 4C.2, 4C.4, 4C.7, 4C.8.1, 4C.8.2, 4C.9 | Pass | Pass | Pass | Pass |
| 5D3 | 4C.1.2 | 3.45 | 2.00 | 2.90 | 3.80 |
| 5D4 | Candidate Shortlisting Rank | 2 | 4 | 3 | 1 |
| | Shortlist | Yes | No | Yes | Yes |

Appendix 6 – Award criteria

| Level 1 Award Criteria | Level 1 Award Criteria Weighting | Level 2 Award Criteria | Level 2 Award Criteria Weighting |
|------------------------|----------------------------------|------------------------|----------------------------------|
| Quality | 60% | 1. Service Delivery | 60% |
| | | 2. Social Value | 20% |
| | | 3. Commercial | 10% |
| | | 4. Legal | 10% |
| Price | 40% | 1. Price | 100% |

| Level 2 Award Criteria | Level 2 Award Criteria Weighting | Level 3 Award Criteria | Level 3 Award Criteria Weighting |
|------------------------|----------------------------------|--|----------------------------------|
| 1. Service Delivery | 60% | 1.1 Contract Management | 15% |
| | | 1.2 Delivery approach and Methodology | 40% |
| | | 1.3 Staffing proposals | 10% |
| | | 1.4 Fair Work Practices | 5% |
| | | 1.5 Subcontracting / supply chain proposals | 10% |
| | | 1.6 Mobilisation Plan / Exit Plan | 5% |
| | | 1.7 ICT Arrangements | 10% |
| | | 1.8 Management systems / service planning | 5% |
| 2. Social Value | 20% | 2.1 Employment, education and skills | 30% |
| | | 2.2 Supply Chain Development & opportunities | 15% |
| | | 2.3 Community Engagement & Capacity Building | 15% |
| | | 2.4 Environment | 30% |
| | | 2.5 Innovation | 10% |
| 3. Commercial | 10% | 3.1 Commercial Proposals | 80% |
| | | 3.2 Pensions Proposals | 20% |
| 4. Legal | 10% | 4.1 Legal | 100% |

| Level 4 Criteria | Level 4 "Question Weighting" |
|--|------------------------------------|
| 1.1a Please provide a Governance and Contract Management Plan detailing how you will support the governance and management of the service over the full Contract Term. | 75% |
| 1.1b Please provide a Depot Plan detailing how your selection, management and operation of depots will contribute to the successful delivery of the contract. | 25% |
| 1.2a Please provide a Service Delivery Plan for Core Services Reactive Maintenance, Statutory Compliance / Servicing, Project/Programmes: Investment Works and Other Related Works for the following asset types: <ul style="list-style-type: none"> • Carriageway and Car Parks (Area and Linear Assets) • Footways, Footpaths and Pedestrian Areas • Structures • Street Furniture • Land | 16% |
| 1.2b Please provide a Severe Weather Service Delivery Plan. | 14% |
| 1.2c Please provide a Service Delivery Plan for Street Lighting for Reactive Maintenance, Statutory Compliance/Servicing, Core Projects/Programmes: Investment Works and Other Related Works. | 14% |
| 1.2d Please provide a Traffic Management Systems Service Delivery Plan for Reactive Maintenance, Statutory Compliance/ Servicing, Core Projects/ Programmes: Investment Works and Other Related Works (NB This question is not about temporary traffic management). | 14% |
| 1.2e Please provide a Services Delivery Plan for Specialist Services (excluding Roads Incident Response). (Services include – Reservoirs, Specialist playground installation and surfacing works, Temporary traffic management, 3 rd Party liability cost recovery, Asset surveys, Electric vehicle infrastructure, Cemetery memorial headstone stabilization, Memorial maintenance and cleaning, and Maintenance of public art). | 14% |
| 1.2f Please provide a Service Delivery Plan for Roads Incident Response. | 14% |
| 1.2g Please provide a Services Delivery Plan for Professional Services for Reactive Maintenance, Statutory Compliance/Servicing, Core Projects/Programmes: Investment Works and Other Related Works. | 14% |
| 1.3 Please provide a Resources Plan detailing how you will successfully resource and deliver the service over the Term. | 100% |
| 1.4 Please provide a Fair Work Plan detailing how you will comply with Fair Work First principles where directly employed and subcontracted workers are used. | 100% |
| 1.5 Please provide a Supply Chain Plan outlining your approach to the selection, management and payment of suppliers and SubContractors. | 100% |
| 1.6a Please provide a Mobilisation Plan detailing how you will mobilise the Services. | 50% |

| | | |
|------|---|------|
| 1.6b | Please provide a Service Exit Plan detailing how you will manage the handover of services and supporting information to the Authority. | 50% |
| 1.7 | Please provide a Technology Plan detailing how you will use IT & technology to robustly and reliably support the delivery of the contract. | 100% |
| 1.8a | Please provide a Health and Safety Plan detailing your management arrangements for the health, safety and wellbeing of the workforce, client and service users. | 25% |
| 1.8b | Please provide a Quality Management Systems Plan detailing your management systems for managing quality. | 25% |
| 1.8c | Please provide an Environmental Management System Plan detailing your management systems for managing environmental impact. | 25% |
| 1.8d | Please provide a Service Continuity Plan detailing how you will maintain continuity of service delivery. | 25% |
| 2.1 | Please provide a Social Value Plan detailing how you will deliver specific and tangible Social Value measures and benefits that you will offer the Authority. | 100% |
| 2.2 | Please provide a Local Supply Chain Development Plan detailing how you will deliver support local supply chain participation in the Contract. | 100% |
| 2.3 | Please provide a Local Community Engagement and Capacity Building Plan detailing how you will support local community engagement over the Term. | 100% |
| 2.4 | Please provide an Environmental Impact Reduction Plan detailing how you will reduce environmental impact over the Term. | 100% |
| 2.5 | Please provide a Innovation and Improvement Plan for delivery of innovation, new technologies and new methods of service delivery. | 100% |
| 3.1 | Please provide a Commercial Plan describing your commercial management approach to the Contract. | 100% |
| 3.2 | Please provide a Pensions Plan describing your approach to pension arrangements for the Contract. | 100% |
| 4.1 | Legal | 100% |

Appendix 7 - Initial Tender review outcome summary – qualitative criteria

| Reference | Question | Bidder 1 | Bidder 2 | Bidder 3 |
|---------------|---|---|-------------------------------|---|
| Question 1.1a | Governance and Contract Management Plan | Meets the minimum requirement | Meets the minimum requirement | Meets the minimum requirement |
| Question 1.1b | Depot Plan | Meets the minimum requirement | Meets the minimum requirement | Meets the minimum requirement |
| Question 1.2a | Service Delivery Plan for Core Services Reactive Maintenance, Statutory Compliance / Servicing, Project/Programmes: Investment Works and Other Related Works | Meets the minimum requirement | Meets the minimum requirement | Meets the minimum requirement |
| Question 1.2b | Severe Weather Service Delivery Plan | Meets the minimum requirement | Meets the minimum requirement | Meets the minimum requirement |
| Question 1.2c | Service Delivery Plan for Street Lighting for Reactive Maintenance, Statutory Compliance/Servicing, Core Projects/Programmes: Investment Works and Other Related Works | Meets the minimum requirement | Meets the minimum requirement | Meets the minimum requirement |
| Question 1.2d | Traffic Management Systems Service Delivery Plan for Reactive Maintenance, Statutory Compliance/ Servicing, Core Projects/ Programmes: Investment Works and Other Related Works | Meets the minimum requirement | Meets the minimum requirement | Does not yet meet the minimum requirement |
| Question 1.2e | Services Delivery Plan for Specialist Services (excluding Roads Incident Response). | Meets the minimum requirement | Meets the minimum requirement | Meets the minimum requirement |
| Question 1.2f | Service Delivery Plan for Roads Incident Response | Meets the minimum requirement | Meets the minimum requirement | Meets the minimum requirement |
| Question 1.2g | Services Delivery Plan for Professional Services for Reactive Maintenance, Statutory Compliance/Servicing, Core Projects/Programmes: Investment Works and Other Related Works | Meets the minimum requirement | Meets the minimum requirement | Does not yet meet the minimum requirement |
| Question 1.3 | Resources Plan | Does not yet meet the minimum requirement | Meets the minimum requirement | Does not yet meet the minimum requirement |
| Question 1.4 | Fair Work Plan | Meets the minimum requirement | Meets the minimum requirement | Meets the minimum requirement |
| Question 1.5 | Supply Chain Plan | Meets the minimum requirement | Meets the minimum requirement | Meets the minimum requirement |

| | | | | |
|------------------------------|---|-------------------------------|-------------------------------|---|
| Question 1.6a | Mobilisation Plan | Meets the minimum requirement | Meets the minimum requirement | Meets the minimum requirement |
| Question 1.6b | Service Exit Plan | Meets the minimum requirement | Meets the minimum requirement | Meets the minimum requirement |
| Question 1.7 | Technology Plan | Meets the minimum requirement | Meets the minimum requirement | Does not yet meet the minimum requirement |
| Question 1.8a | Health and Safety Plan | Meets the minimum requirement | Meets the minimum requirement | Meets the minimum requirement |
| Question 1.8b | Quality Management Systems Plan. | Meets the minimum requirement | Meets the minimum requirement | Meets the minimum requirement |
| Question 1.8c | Environmental Management System Plan | Meets the minimum requirement | Meets the minimum requirement | Meets the minimum requirement |
| Question 1.8d | Service Continuity Plan | Meets the minimum requirement | Meets the minimum requirement | Meets the minimum requirement |
| Question 2.1 | Social Value Plan | Meets the minimum requirement | Meets the minimum requirement | Meets the minimum requirement |
| Question 2.2 | Local Supply Chain Development Plan | Meets the minimum requirement | Meets the minimum requirement | Meets the minimum requirement |
| Question 2.3 | Local Community Engagement and Capacity Building Plan | Meets the minimum requirement | Meets the minimum requirement | Meets the minimum requirement |
| Question 2.4 | Environmental Impact Reduction Plan | Meets the minimum requirement | Meets the minimum requirement | Does not yet meet the minimum requirement |
| Question 2.5 | Innovation and Improvement Plan | Meets the minimum requirement | Meets the minimum requirement | Meets the minimum requirement |
| Question 3.1 | Commercial Plan | Meets the minimum requirement | Meets the minimum requirement | Does not yet meet the minimum requirement |
| Question 3.2 | Pensions Plan | Meets the minimum requirement | Meets the minimum requirement | Does not yet meet the minimum requirement |
| Question 4.1 | Legal | Not assessed at this stage | Not assessed at this stage | Not assessed at this stage |
| Total number of criteria met | | 25 of 26 | 26 of 26 | 19 of 26 |

Appendix 8 - Final Tender evaluation outcome summary – qualitative criteria

| Level 4 Criteria | Maximum Score Available | Score Achieved | | |
|---|-------------------------|----------------|----------|----------|
| | | Hochtief | Bidder 2 | Bidder 3 |
| 1.1a Please provide a Governance and Contract Management Plan detailing how you will support the governance and management of the service over the full Contract Term. | 100 | 100 | 100 | 100 |
| 1.1b Please provide a Depot Plan detailing how your selection, management and operation of depots will contribute to the successful delivery of the contract. | 100 | 100 | 100 | 100 |
| 1.2a Please provide a Service Delivery Plan for Core Services Reactive Maintenance, Statutory Compliance / Servicing, Project/Programmes: Investment Works and Other Related Works for the following asset types: <ul style="list-style-type: none"> • Carriageway & Car Parks (Area & Linear Assets) • Footways, Footpaths and Pedestrian Areas • Structures • Street Furniture • Land | 100 | 100 | 100 | 100 |
| 1.2b Please provide a Severe Weather Service Delivery Plan. | 100 | 100 | 100 | 100 |
| 1.2c Please provide a Service Delivery Plan for Street Lighting for Reactive Maintenance, Statutory Compliance / Servicing, Core Projects / Programmes: Investment Works and Other Related Works. | 100 | 100 | 100 | 75 |
| 1.2d Please provide a Traffic Management Systems Service Delivery Plan for Reactive Maintenance, Statutory Compliance/ Servicing, Core Projects/ Programmes: Investment Works and Other Related Works (NB This question is not about temporary traffic management). | 100 | 100 | 100 | 75 |
| 1.2e Please provide a Services Delivery Plan for Specialist Services (excluding Roads Incident Response). (Services include – Reservoirs, Specialist playground installation and surfacing works, Temporary traffic management, 3 rd Party liability cost recovery, Asset surveys, Electric vehicle infrastructure, Cemetery memorial headstone stabilization, Memorial maintenance and cleaning, and Maintenance of public art). | 100 | 100 | 100 | 75 |

| Level 4 Criteria | Maximum Score Available | Score Achieved | | |
|--|-------------------------------|----------------|----------|----------|
| | | Hochtief | Bidder 2 | Bidder 3 |
| 1.2f Please provide a Service Delivery Plan for Roads Incident Response. | 100 | 100 | 100 | 100 |
| 1.2g Please provide a Services Delivery Plan for Professional Services for Reactive Maintenance, Statutory Compliance/Service, Core Projects/Programmes: Investment Works and Other Related Works. | 100 | 100 | 75 | 50 |
| 1.3 Please provide a Resources Plan detailing how you will successfully resource and deliver the service over the Term. | 100 | 100 | 100 | 100 |
| 1.4 Please provide a Fair Work Plan detailing how you will comply with Fair Work First principles where directly employed and subcontracted workers are used. | 100 | 100 | 100 | 100 |
| 1.5 Please provide a Supply Chain Plan outlining your approach to the selection, management and payment of suppliers and Sub-Contractors. | 100 | 100 | 100 | 100 |
| 1.6a Please provide a Mobilisation Plan detailing how you will mobilise the Services. | 100 | 100 | 100 | 100 |
| 1.6b Please provide a Service Exit Plan detailing how you will manage the handover of services and supporting information to the Authority. | 100 | 100 | 100 | 100 |
| 1.7 Please provide a Technology Plan detailing how you will use IT & technology to robustly and reliably support the delivery of the contract. | 100 | 100 | 100 | 75 |
| 1.8a Please provide a Health and Safety Plan detailing your management arrangements for the health, safety and wellbeing of the workforce, client and service users. | 100 | 100 | 100 | 100 |
| 1.8b Please provide a Quality Management Systems Plan detailing your management systems for managing quality. | 100 | 100 | 100 | 50 |
| 1.8c Please provide an Environmental Management System Plan detailing your management systems for managing environmental impact. | 100 | 100 | 100 | 100 |
| 1.8d Please provide a Service Continuity Plan detailing how you will maintain continuity of service delivery. | 100 | 100 | 100 | 100 |

| Level 4 Criteria | Maximum Score Available | Score Achieved | | |
|---|-------------------------------|----------------|----------|----------|
| | | Hochtief | Bidder 2 | Bidder 3 |
| 2.1 Please provide a Social Value Plan detailing how you will deliver specific and tangible Social Value measures and benefits that you will offer the Authority. | 100 | 50 | 75 | 75 |
| 2.2 Please provide a Local Supply Chain Development Plan detailing how you will deliver support local supply chain participation in the Contract. | 100 | 100 | 100 | 75 |
| 2.3 Please provide a Local Community Engagement and Capacity Building Plan detailing how you will support local community engagement over the Term. | 100 | 100 | 75 | 50 |
| 2.4 Please provide an Environmental Impact Reduction Plan detailing how you will reduce environmental impact over the Term. | 100 | 100 | 100 | 100 |
| 2.5 Please provide a Innovation and Improvement Plan for delivery of innovation, new technologies and new methods of service delivery. | 100 | 100 | 100 | 75 |
| 3.1 Please provide a Commercial Plan describing your commercial management approach to the Contract. | 100 | 100 | 100 | 50 |
| 3.2 Please provide a Pensions Plan describing your approach to pension arrangements for the Contract. | 100 | 50 | 75 | 75 |
| 4.1 Legal | 100 | 50 | 50 | 50 |

Appendix 9 - Social value commitments

- significant local new apprentice programme;
- accelerator programme for SMEs'/VCSE;
- commitment to invest in innovation with up-front capital;
- commitment to annual budget for a community partners community fund;
- investment in "women in construction" and "diversity of construction" programmes;
- resources to gain certification on social value outcomes;
- commitment to building tendering capabilities through 'Meet the Buyer' events;
- commitment to run employability programmes that remove barriers to work for under-represented groups;
- work with the council to develop a social impact and sustainability governance board to ensure a coordinated approach;
- proactively engage with local supply chain partners to create and sustain employment opportunities and drive local economic growth, incorporating elements to support businesses recover and grow after the pandemic in line with the council's stated actions;
- fast-track procurement process in place to encourage local supply chain participation;
- commitment to deliver inclusive community and stakeholder engagement and communications through equality impact assessments;
- development of bespoke social value communications app for all stakeholders to engage communities in reporting, providing feedback and prioritising needs/solutions;
- volunteering programme days per annum;
- sponsorship of local annual carbon reduction prize incentivised through an innovation seed fund;
- contribute to purpose-built community training hub offering training to apprentices and the wider community;
- contribute to virtual learning academy offering learning experiences to engage communities in learning about the sector and the contract whilst developing digital capabilities;
- school engagement innovation sprints to be delivered as part of the STEM focused school engagement programme;
- monthly social value monitoring resulting in a monthly dashboard report accessible to the council and key stakeholders;
- procedure for all new employment opportunities (including apprenticeships) to be advertised locally via Jobcentre Plus and Fair Start Scotland employability contractors;
- employability training programme;
- financial and time investment to embed virtual reality technology in training programmes;
- engagement with local schools to support STEM engagement and Virtual Skills Academy;
- investment to create Road Network Learning Environment at Blairlinn depot; and
- commitment to work with community boards to establish an annual community partners programme.

Appendix 10 – Contractual benefits

| Topic | New Contract Provisions | Benefits |
|--|---|--|
| Application of Schedule of Rates (SOR) | Use of industry standard price list categories and SOR descriptions. Breakdown of SOR items – labour, plant, materials, management, profit. | <ul style="list-style-type: none"> improved transparency of application of SOR (including labour, materials, plant, management fee and profit); better information for benchmarking; and future proofing for use of change mechanism. |
| Benchmarking | Market testing and benchmarking based on CCS Model Service Contract. | <ul style="list-style-type: none"> improved value for money provisions; and industry standard provisions. |
| Best Value Efficiency Saving | Replacement of existing provisions with a service credit model linked to KPIs. | <ul style="list-style-type: none"> modernised, commercial approach linked to contract management. |
| Exclusivity | Exclusivity for the majority of Core Services, no exclusivity for Core Projects. Non-exclusivity for Core Projects with engagement process to determine value for money. | <ul style="list-style-type: none"> guarantees that pricing for Core projects and other non-exclusive services will always align with “on-market” pricing. |
| Fair Work Practices | Requirement to pay subcontractors within 30 days. Requirement to pay the living wage. | <ul style="list-style-type: none"> alignment with Scottish Government Fair Work guidance improved value for money provisions. opportunities for SMEs and supply chain. |
| Financial capacity | Introduction of monitoring and escalation of potential financial instability. | <ul style="list-style-type: none"> greater transparency. improved value for money provisions; and improved commercial position. |
| Indexation | Change of index used for price adjustments over the term | <ul style="list-style-type: none"> new index reflects the scope and weighting (by value) of the services; and industry good practice. |
| Method of Measurement | Change of method of measurement to: Method of Measurement for Highway Works published by Her Majesty's Stationery Office as Section 1 of Volume 4 of the Manual of Contract Documents for Highway Works and these amended Preambles; and | <ul style="list-style-type: none"> Updating the method of measurement to align with industry good practice. |

| | | |
|--|---|---|
| | Form of Contract for Highway Maintenance Services Method of Measurement. | |
| Performance Indicators and measurement | Comprehensive range of performance measures (KPIs). Introduction of commercial consequences for failing to meet milestones. Link to service credit model. | <ul style="list-style-type: none"> • improved value for money provisions; and • greater transparency of performance reporting. |
| Service Credit Model | Financial deductions for failure to meet KPIs. | <ul style="list-style-type: none"> • improved value for money provisions; • commercial consequences for failing to meet performance requirements; and • greater transparency of performance reporting. |
| Social Value | Requirement for Contractor to meet commitments to Social Value targets. | <ul style="list-style-type: none"> • supports delivery of project objectives; • alignment with industry standards (Themes, Outcomes and Measures framework). |

Appendix 11- External Advisors fees

| Advisor | Fee Total |
|--------------------------------|-------------------|
| Turner and Townsend | £2,648,221 |
| Pinsent Masons LLP | £1,080,126 |
| Grant Thornton UK LLP | £233,314 |
| Optimum Professional Solutions | £70,600 |
| Harper Legal | £32,250 |
| Burness Paull LLP | £24,000 |
| | |
| Total | £4,088,511 |

North Lanarkshire Council

Report

Council

Does this report require to be approved?

☒ Yes ☐ No

☒ approval ☐ noting

Ref KA/Council/Mar24

Date 28/03/24

Internal Audit report - Enterprise Project: Housing and Corporate Property Procurement

From: Ken Adamson, Chief Officer (Audit and Risk)

E-mail: adamsonk@northlan.gov.uk

Telephone 07939 280602

Executive Summary

The purpose of this report is to provide members with the results of Internal Audit's recent work updating earlier assessments of the adequacy and effectiveness of the Enterprise Project's governance arrangements.

This work was designed to provide assurance on the procurement of the housing and corporate maintenance contract and considered whether or not the project has continued to be managed in line with corporate expectations and in a manner consistent with good practice. In line with previous commitments provided to members, the review also considered, whether or not, reasonable steps have been taken by management to successfully address and mitigate risks associated with the single bidder scenario, including the need to assess whether any proposed contract outcome can be demonstrated to deliver best value to the Council.

The relevant Internal Audit work has now been completed and the Internal Audit report produced is at Appendix 1. The report findings and conclusions are generally positive, although Internal Audit have made a number of recommendations primarily relating to actions required by management during the mobilisation and early-implementation stages of any new contractual arrangements.

As regards the project management arrangements in place for this procurement exercise, as with the results of previous reviews, Internal Audit are satisfied that the project has continued to be managed in line with corporate expectations.

As regards best value, Internal Audit has reported that management's assessment of best value has been undertaken in line with the intended approach previously reported to Council, combines quantitative and qualitative aspects, and incorporates mechanisms designed to allow and support assessments of best value at both contract award stage and during the life of the contract.

Overall, Internal Audit considers that the assessment of best value provided to elected members by management, and the rationale behind this assessment, appears balanced, broadly consistent with Internal Audit's findings and forms a reasonable basis to inform and support decision-making.

Recommendations

The Council is requested to:

- (a) note the results of Internal Audit's work as reported in the attached Internal Audit report;
- (b) agree that the Internal Audit report be submitted to the next meeting of the Audit and Scrutiny Panel in line with the agreed Internal Audit reporting protocol; and
- (c) request that Internal Audit review progress made by management implementing actions agreed in response to Internal Audit's recommendations and report the results to subsequent meetings of the Audit and Scrutiny Panel.

The Plan for North Lanarkshire

Priority All priorities

Ambition statement All ambition statements

1. Background

- 1.1 The purpose of this report is to provide members with the results of Internal Audit's recent work updating earlier assessments of the adequacy and effectiveness of the Enterprise Project's governance arrangements.
- 1.2 This work was designed to provide assurance on the procurement of the housing and corporate maintenance contract and considered whether or not the project has continued to be managed in line with corporate expectations and in a manner consistent with good practice. In line with previous commitments provided to members, the review also considered, whether or not, reasonable steps have been taken by management to successfully address and mitigate risks associated with the single bidder scenario, including the need to assess whether any proposed contract outcome can be demonstrated to deliver best value to the Council.
- 1.3 Internal Audit work on the Enterprise Project was included in the 2023-24 Annual Plan approved by the Audit and Scrutiny Panel in May 2023. The Internal Audit Charter, most recently approved by the Panel in September 2021, requires that the results of Internal Audit's work be periodically reported to the Panel.
- 1.4 In view of the importance of elected members having access to all relevant information to assist their decision-making, after consultation with the Convener of the Audit and Scrutiny Panel, the Chief Officer (Audit and Risk) agreed with the Chief Executive that the attached report should be submitted directly to the Council meeting considering the Enterprise Project contract award prior to subsequently also being reported to the next scheduled meeting of the Audit and Scrutiny Panel in line with normal reporting arrangements.

2. Report

- 2.1 The relevant Internal Audit work has now been completed and the report produced is at Appendix 1.
- 2.2 The report findings and conclusions are generally positive, although a number of recommendations have been made by Internal Audit relating to actions required by management primarily during the mobilisation and early-implementation stages of any new contractual arrangements. Satisfactory management responses, including planned actions, timescales and responsible officers have been received in respect of the audit recommendations made.

- 2.3 As regards the project management arrangements in place for this procurement exercise, as with previous reviews, Internal Audit are satisfied that the project has continued to be managed in line with corporate expectations.
- 2.4 As regards whether reasonable steps have been taken by management to successfully address and mitigate risks associated with the single bidder scenario, including the need to assess whether any proposed contract outcome can be demonstrated to deliver best value to the Council, Internal Audit notes that competition is widely recognised as the best way to demonstrate best value in any procurement exercise and despite the Council's best efforts, this has not occurred in relation to the housing and corporate maintenance contract element of the project. Internal Audit considers, however, that the absence of competition makes demonstrating that the proposed outcome represents/delivers best value more challenging, but not impossible.
- 2.5 Internal Audit notes that throughout the procurement exercise, the Project Board recognised the challenges presented by the single bidder scenario/lack of competition and acknowledged the need to take steps to be able to ensure that any recommended outcome delivers best value and to be able to demonstrate that to elected members.
- 2.6 Our detailed findings in relation to actions taken by management to address and mitigate risk surrounding the need to demonstrate/secure best value are at Section 5 of the Internal Audit report. Section 6 of the Internal Audit report provides Internal Audit's assessment of how management have communicated to elected members on the outcome of their actions and their assessment of whether the proposed outcome represents best value to the Council.
- 2.7 Internal Audit can report that management's assessment of best value has been undertaken in line with the intended approach previously reported to Council, combines quantitative and qualitative aspects, and incorporates mechanisms designed to allow and support assessments of best value at both contract award stage and during the life of the contract.
- 2.8 Overall, Internal Audit considers that management's assessment of best value provided to elected members, and the rationale behind this assessment, appears balanced, broadly consistent with Internal Audit's findings and forms a reasonable basis to inform and support decision-making.
- 2.9 Internal Audit will, in line with normal arrangements, monitor progress made by management implementing actions agreed in response to audit recommendations and report the results of this work to the Audit and Scrutiny Panel.

3. Measures of success

- 3.1 Internal Audit reports annually on its performance to the Audit and Scrutiny Panel and is also subject to review annually by the Council's appointed external auditors.

4. Supporting documentation

Appendix 1 Internal Audit report - Enterprise Project: Housing and Corporate Property Procurement



Ken Adamson, Chief Officer (Audit and Risk)

5. Impacts (<http://connect/report-template-guidance>)

| | |
|-------------|---|
| 5.1 | Public Sector Equality Duty and Fairer Scotland Duty Does the report contain information that has an impact because of the Public Sector Equality Duty and/or Fairer Scotland Duty? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| 5.2 | Financial impact Does the report contain any financial impacts? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| 5.3 | HR policy impact Does the report contain any HR policy or procedure impacts? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| 5.4 | Legal impact Does the report contain any legal impacts (such as general legal matters, statutory considerations (including employment law considerations), or new legislation)? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| 5.5 | Data protection impact Does the report / project / practice contain or involve the processing of personal data? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| 5.6 | Technology / Digital impact Does the report contain information that has an impact on either technology, digital transformation, service redesign / business change processes, data management, or connectivity / broadband / Wi-Fi? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| 5.7 | Environmental / Carbon impact Does the report / project / practice contain information that has an impact on any environmental or carbon matters? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| 5.8 | Communications impact Does the report contain any information that has an impact on the council's communications activities? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| 5.9 | Risk impact Is there a risk impact? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| 5.10 | Armed Forces Covenant Duty Does the report require to take due regard of the Armed Forces Covenant Duty (i.e. does it relate to healthcare, housing, or education services for in-Service or ex-Service personnel, or their families, or widow(er)s)? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| 5.11 | Children's rights and wellbeing impact Does the report contain any information regarding any council activity, service delivery, policy, or plan that has an impact on children and young people up to the age of 18, or on a specific group of these? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |



INTERNAL AUDIT REPORT

ENTERPRISE PROJECT: HOUSING AND CORPORATE PROPERTY PROCUREMENT

Contents

- | | | |
|--|---------------|---|
| 1. Objectives | 2. Background | 3. Previous Internal Audit Work |
| 4. Control objective 1: Project governance | | 5. Control Objective 2: Best value considerations |
| 6. Management's assessment of best value | | 7. Recommendations |

Appendix 1 – Project Management Good Practice Toolkit – key questions

Appendix 2 – Best Value Good Practice Aspects – key questions

Issued to: Depute Chief Executive, Chief Officer (Asset and Procurement) **Copied to:** Commercial Contract Manager and (once finalised) Chief Executive

Headlines

The purpose of this review was to update earlier Internal Audit assessments of the adequacy and effectiveness of the Enterprise Project's governance arrangements. This work was designed to provide assurance specifically on the procurement of the housing and corporate maintenance contract and considered the following key aspects:

- Whether or not the project has continued to be managed in line with corporate expectations and in a manner consistent with good practice?
- In relation to the housing and corporate maintenance contract, whether reasonable steps have been taken by management to successfully address and mitigate risks associated with the single bidder scenario, including the need to assess whether any proposed contract outcome can be demonstrated to deliver best value to the Council?

As regards the project management arrangements in place, as with previous Internal Audit reviews in this area, we are satisfied that the governance arrangements in place are adequate and appear robust, and that the project is being managed in line with corporate expectations in a manner consistent with good practice.

As regards whether reasonable steps have been taken by management to successfully address and mitigate risks associated with the single bidder scenario, including the need to assess whether any proposed contract outcome can be demonstrated to deliver best value to the Council, Internal Audit considers that while competition is widely recognised as the best way to demonstrate value best value in any procurement exercise (and despite the Council's best efforts, this has not occurred in relation to the housing and corporate maintenance contract element of the project), the absence of competition makes demonstrating that the proposed outcome represents/delivers best value more challenging but not impossible.

Internal Audit highlighted that throughout the procurement exercise, the Project Team recognised the challenges presented by the single bidder scenario/lack of competition and acknowledged the need to take steps to be able to ensure that any recommended outcome delivers best value and to be able to demonstrate that to elected members.

Our findings in relation to actions taken by management to address and mitigate risk surrounding the need to demonstrate/secure best value are detailed at Section 5 of this report. Section 6 provides a brief conclusion on how management have communicated to elected members on the outcome of their actions and their assessment of whether the proposed outcome represents best value.

We noted that management's assessment of best value has been undertaken in line with the intended approach previously reported to Council, combines quantitative and qualitative aspects, and incorporates mechanisms designed to allow and support assessments of best value at both contract award stage and during the life of the contract. Overall, we consider that management's assessment of best value, and the rationale behind this assessment, provided to elected members appears balanced, broadly consistent with Internal Audit's findings and forms a reasonable basis to inform and support decision-making.

The Internal Audit report also contains an action plan at Section 7, with audit recommendations focused primarily on issues/management arrangements requiring to be addressed following any contract award.

| | | | | | |
|---------------|-----------------------------------|----------------|--------------------------|-------------|----------|
| Report status | FINAL | Page 61 of 250 | Audit Ref: 2020/2024/001 | Date issued | 20/02/24 |
| Audit Team | Lesley Armstrong and Paula Hendry | | | | |

1 Objectives

- 1.1 The purpose of this review was to update earlier assessments of the adequacy and effectiveness of the Enterprise Project's governance arrangements. This work was designed to provide assurance on the procurement of the housing and corporate maintenance contract and considered the following key aspects:
- Whether or not the project has continued to be managed in line with corporate expectations and in a manner consistent with good practice?
 - In relation to the housing and corporate maintenance contract, whether or not, reasonable steps have been taken by management to successfully address and mitigate risks associated with the single bidder scenario, including the need to assess whether any proposed contract outcome can be demonstrated to deliver best value to the Council?
- 1.2 The arrangements for managing the project were assessed against corporate project management expectations and a good practice checklist prepared by Internal Audit, based on a range of sources including the National Audit Office, HM Treasury and the Cabinet Office infrastructure and Projects Authority.
- 1.3 With regards the assessment of how management have sought to secure and be able to demonstrate best value, we considered the adequacy and effectiveness of how the Project Board/Team have sought to mitigate risks associated with the single bidder scenario. This included a detailed assessment of work undertaken by management in areas such as benchmarking, transparent pricing, and the development of costing models against which bidder's costs/prices can be assessed. The review focused on these aspects of the tender evaluation, which were unique to the single bidder scenario and excluded other aspects, such as the quality evaluation, which were not. We have also considered how management has communicated to decision-makers their assessment of the extent to which the proposed course of action represents best value.
- 1.4 This engagement has been conducted in accordance with the '*Public Sector Internal Audit Standards*'. The Internal Audit section reports formally on conformance with these standards to the Audit and Scrutiny Panel.

2 Background

- 2.1 In its previous form, the Enterprise Strategic Commercial Partnership (ESCP) was a significant, complex, and challenging project and formed an important part of the Council's programme of work and ambitions. Despite significant positive pre-procurement market engagement, the advertised opportunity failed to attract sufficient interest to enable the ESCP to proceed and in June 2021 the Project Board decided to discontinue the procurement.
- 2.2 The Project Board recognised, however, that the ambition of the project remained valid and agreed that a revised delivery model should be developed. In September 2021, the Project Board agreed a revised delivery model, renamed the Enterprise Project which was expected to consist of a blend of in-house delivery whilst continuing to deliver services through a small number of third-party contracts. The project was intended to deliver similar outcomes (over comparable timescales) as the ESCP by creating focused strategic relationships with a small number of private sector providers and developing an 'intelligent client' function, building on internal commercial capacity and capability. The Policy and Strategy Committee approved this delivery model in December 2021, at which time the commencement of various procurements, including the housing and corporate maintenance contract, was also approved.
- 2.3 The procurement exercise for the housing and corporate maintenance contract commenced in June 2022, however despite comprehensive and positive pre-procurement market engagement, only one request to participate in the procurement was received. An update report to Policy and Strategy in December 2022 advised that the Project Board had agreed that, in the circumstances, the procurement should progress with one bidder to the initial tender submission and review stage, and, in parallel, a re-validation exercise of the original options appraisal should be undertaken.

2 Background (continued)

- 2.4 An update provided to Council in August 2023 reported the outcome of the re-validation exercise referenced above. The report set out details of the six shortlisted options together with an assessment of each option and advised that the two potential delivery options which scored significantly better than others were Option 3 (an outsourced option that reflected the current live procurement for a single Housing and Corporate Maintenance and Improvement Services contract – not a joint venture) and Option 4 (a Council owned ALEO with elements of insource and outsource delivery). The report further advised that whilst both options had associated risks, Option 4 had several additional and potentially significant unknowns and comparatively greater risk in terms of transition and delivery costs and in potential risk to service delivery continuity and, as a result, Option 3 had been assessed as the delivery option that best met the project objectives.
- 2.5 In respect of this the Council agreed:
- that following the outcome of the options revalidation exercise, along with the practical considerations and associated risks, that Option 3 (continue with the current procurement exercise), was the delivery option that would best meet the project objectives;
 - that consideration be given, before the end of the initial term of the proposed contract, to the development of an outline business case which will investigate the feasibility of alternate service delivery models, including the feasibility of an ALEO, which would inform the Council's decision to extend the proposed contract, beyond its initial term or to progress an alternative model; and
 - that the current procurement exercise proceeds to a conclusion.
- 2.6 This report also detailed the results of the assessment of the bidder's ITN (Invitation to Negotiate) submission, associated financial implications and expected benefits of the proposed contract. In recognition of the absence of competition in the procurement process, given the single bidder situation, the proposed measures and mitigations in place to allow the Council to evidence that any outcomes achieved through progressing the procurement with a single bidder represent best value were also detailed. The report stated that to enable the Council to objectively evidence that continuing with the procurement with a single bidder represents best value, the following measures were to be incorporated into the procurement and assessment process: external/internal benchmarking (to the extent possible) to validate costs:
- the adoption of transparent pricing and other mechanisms (open book);
 - the development of a 'Shadow'/'Should Cost' model;
 - a reduction in the scope of work which is to be granted on an exclusive basis to the service provider;
 - increasing the requirement for the service provider to demonstrate value for money over the contract term for non-exclusive work; and
 - the Council prescribing the procurement policy terms for advertising quotations and subcontracting.
- 2.8 Approval to proceed on that basis was given and the housing and corporate maintenance procurement has now progressed to final tender stage. It is currently expected that Council will be asked to approve the award of the contract in February 2024 with services under the new contractual arrangements targeted to commence on 1 April 2024.

3 Previous Internal Audit Work

- 3.1 We have previously reported on the Enterprise Project (or its previous incarnations) on three separate occasions.
- 3.2 In March 2020 we reported on our review of the adequacy and effectiveness of the Council's arrangements in respect of ESCP. The audit work undertaken recognised that the ESCP was a project of considerable potential scale, complexity, uncertainty, which presented significant risks and challenges that required to be effectively managed and at that time was at a relatively early stage and, therefore, the scope of this review was limited to reviewing the programme's current governance arrangements against corporate expectations and good practice.
- 3.3 We categorised that audit as offering '*reasonable assurance*' and were satisfied that the governance arrangements then in place to progress the ESCP were adequate, and appeared robust, and considered that the project was being managed in line with the council's project management guidance and in a manner consistent with good practice. We were also satisfied that the Project Board in place appeared effective in providing oversight, challenge and direction and that financial control and risk management appeared appropriately embedded in the governance of the project. We identified one area where we considered that scope for improvement existed, which related to the need for the potential scale and complexity of whatever the Council may decide to proceed with following consideration of the OBC to be fully reflected in future governance arrangements.
- 3.4 In March 2021, we again reviewed the adequacy and effectiveness of the Council's governance arrangements in respect of progressing the ESCP and managing associated key risks using the same good practice toolkit as used in the March 2020 exercise above. A '*reasonable assurance*' audit opinion was again given, as we remained satisfied that the governance arrangements in place were adequate, appeared robust and that the project was being managed in line with the Council's expected project management arrangements and in a manner consistent with good practice.
- 3.5 We did identify several areas of uncertainty at that stage, particularly around how any Partnership would look and operate which had meant that, at that time, there has been limited progress on benefits management. We also noted that work continued to develop the 'Intelligent Client' function which would comprise the oversight and assurance role within the Council to manage the relationship with any Partnership and which would specify the outcome requirements and be responsible for monitoring performance to ensure that the required outcomes and standards of performance were achieved. At that time, we did not make any specific recommendations regarding these areas as we were satisfied that the Project Board appeared aware of the significant level of risk and uncertainty in these areas and had put in place appropriate arrangements to manage these. We highlighted however that it was important that, given the scale and complexity of the ESCP, the Project Board continued to ensure that the risks associated with these areas were fully understood and effectively managed in line with expected timescales. We also identified a small number of other areas where we considered that scope for improvement existed including the need to establish a more formal process for monitoring, managing, and updating the project risk registers.
- 3.6 In May 2022, we reported on the Enterprise Project and considered the adequacy and effectiveness of the management arrangements in place at that time, including the extent to which key elements of good project management, risk management and financial controls were in place. We again provided a '*reasonable assurance*' audit opinion as we were satisfied that the governance arrangements in place at that time were adequate and appeared robust, and that the project was being managed in line with corporate expectations in a manner consistent with good practice. Financial control and risk management also appeared appropriately embedded in the governance of the project.

3 Previous Internal Audit Work (continued)

- 3.7 Despite our positive overall assessment of the project's governance arrangements, we recognised, given the outcome of the ESCP procurement exercise, the scale of the Enterprise Project and the level of uncertainty around the market, that there remained a high level of risk to the successful delivery of the project, primarily due to potential issues around market failure and affordability. The Project Team and Project Board recognised that market appetite remained a significant risk and continued to take action to try to mitigate this risk, through extensive market engagement and research. We also recognised that affordability would also be considered as part of the process of considering market responses to the Council's proposals.
- 3.8 Although the outcome of recent market engagement, at the time of that audit, did appear to indicate that the revised delivery model was more commercially attractive to potential bidders than the previous ESCP proposals, it was also recognised that there were limited markets/potential respondents for each of the two main activities for which bids were being sought and that current economic and general market volatility increased the risks of insufficient tender responses and/or tender responses which were not financially attractive. We commented at that time that we considered it was vital therefore that formal contingency plans were developed in response to the potential inability of the Council to be able to progress with part or all the proposed project.

4 Control objective 1: Adequacy and effectiveness of project management arrangements

Work Undertaken

- 4.1 Our work under this objective reflected on the status of the project and considered the adequacy and effectiveness of the management arrangements in place, including the extent to which key elements of good project management, risk management and financial controls are in place. As with previous exercises, we have undertaken an assessment of the current project governance arrangements against corporate expectations and a good practice checklist prepared from a range of sources including the National Audit Office and HM Treasury (see checklist at Appendix 1).

Key Findings - Good Practice

- 4.2 As with previous internal audit reviews in this area (see section 3 above), we are satisfied that the governance arrangements in place surrounding this project are adequate and appear robust, and that the project is being managed in line with corporate expectations in a manner consistent with good practice.
- 4.3 Specific areas of good practice identified include:
- the Enterprise Project has an appropriate and effective governance structure. There is a Project Board with a written terms of reference which clearly defines the responsibilities of Board members. The Project Board is chaired by the Chief Officer (Asset and Procurement), who is the Senior Responsible Officer (SRO), and membership includes relevant Chief Officers and senior officers, ensuring that it has the knowledge and authority to make decisions and provide the necessary resources to support the delivery of the Enterprise Project;
 - there is a detailed project plan in place which sets out the key tasks required to progress the project, together with information on durations, target completion timescales and percentage completion. Critical path activities are clearly identified on the project plan, and these are a focus of reporting to the Project Board to ensure it is kept up to date with progress, that any required decisions are made at the right time and to drive the project forward at the correct pace;

4 Control objective 1: Adequacy and effectiveness of project management arrangements (continued)

Key Findings - Good Practice (continued)

- a risk register, which identifies likely and foreseeable risks, is in place and details the impact and likelihood of each risk, the existing controls and mitigation in place, and any planned actions required to further mitigate the risk; and
- the services of external advisors have been procured to provide relevant specialist advice and expertise (where this is not available internally within the Council) to support the progression and successful implementation of the Enterprise Project. Funding for these external advisors has been secured for the Enterprise Project and the Project Board are provided with a financial update at each meeting.

4.4 The Project Board meets regularly, and the minutes of these meetings confirm that it appears effective in providing appropriate oversight, challenge, and direction. For the period under review during this audit, we were pleased to note that the Project Team have presented clear and transparent information regarding the procurement and assessment process, enabling the Project Board to make informed decisions at pertinent stages to ensure that the actions identified in the Council report to mitigate the risks within a single bidder scenario are being progressed and fully and properly considered.

Key Findings - Issues Arising

- 4.5 The Project Team, during this procurement phase, have ensured that the contract contains various clauses in relation to the expectations for monitoring and managing the contract (including performance, benchmarking, procurement engagement processes, etc), to ensure that best value is continually demonstrated during the life of the contract. At this time, detailed contract monitoring arrangements have yet to be established. Internal Audit considers that it is important that management ensures that appropriate and robust contract management arrangements are implemented to ensure that all contractual commitments are delivered.
- 4.6 Work in relation to internal changes required because of the new contract, is currently underway, albeit at an early stage. We understand that details relating to the Intelligent Client function are being discussed by Chief Officers to agree and allocate responsibility for specific tasks relating to the management and monitoring of the contract after the award. This work remains ongoing but at this stage, Internal Audit considers that greater clarity on expected Intelligent Client arrangements is urgently required, especially given the short timescale between contract award and the contract going live.
- 4.7 A Contract Mobilisation Group has been established to ensure the smooth transition of the old contract to the new contract and that all performance, engagement, IT, and financial issues have been considered and actions taken in advance of the new contract going live. Activity in this area is ongoing and includes a variety of processes and tasks which need to be finalised and implemented to ensure effective control and monitoring of the new contract. From our review of the programme, we consider that appropriate tasks have been included, however, significant work is needed to ensure that the identified tasks are progressed in line with the stated timescales. Internal Audit considers that failure to complete the identified contract mobilisation tasks in an appropriate and timely manner may create a significant risk that aspects of current arrangements simply roll-over by default.
- 4.8 A benefits realisation plan has not yet been prepared. We were advised that it is intended that this will be prepared once the bidders final tender has been received, evaluated and benefits confirmed. Internal Audit considers that management must ensure this occurs.

5 Control Objective 2: steps taken by management to mitigate risks associated with the single bidder scenario

- 5.1 The Committee reports in December 2022 and August 2023, as detailed at Section 2, outlined various planned measures and mitigations to enable the Council to evidence that progression of the procurement with a single bidder represents best value to the Council. Our work in this area has focussed on reviewing the work undertaken by the Project Team and its external professional advisers (see checklist used at Appendix 2) and the conclusions drawn from it are outlined in paragraphs 5.2 to 5.28 below.

Benchmarking

- 5.2 The Project Team identified benchmarking as a tool to assist in the validation of value for money in the bidder's tendered prices. Benchmarking was undertaken on a sample of Schedule of Rates (SORs) items included in the tender documentation to assess the bidder's tendered price against internal (current prices paid by the Council) and external sources (prices paid by third parties). Data obtained by the Project Team was reviewed to determine whether it provided reliable information to assist the Council in determining whether the single bidder's tender price was reasonable and demonstrated best value. Several sources were identified for benchmarking; however, the outcome was inconclusive as the SORs being used by the Council are often unique and do not facilitate close matching to SORs used by other sources. As a result, the Project Team had a low level of confidence in the outcomes from the benchmarking undertaken.
- 5.3 From our review of the documentation in relation to benchmarking (including the comparators used, work undertaken and outcomes), we consider that reasonable and appropriate action has been taken by the Project Team to identify a variety of potential external benchmarking sources and to undertake a comparison against Council data to assist in confirming whether the bidder's tender price was reasonable and demonstrated best value to the Council. However, the level of assurance which can be taken from this is low due to limitations with the SORs used by the Council and difficulties in accessing robust comparable external data. Given the low level of assurance which can be derived from it, Internal Audit considers that the benchmarking undertaken by management is unlikely to be able to be used as a key determinant to support any assessment of best value for this contract.

Should Cost Model

- 5.4 A Should Cost Model (SCM) is means of providing a forecast of what a service, project or programme 'should' cost over its whole life. It can be a powerful tool that helps to evaluate and/or negotiate pricing with suppliers' and can be used to deliver cost savings.
- 5.5 In line with best practice, the Council appointed an external advisor with appropriate skills and knowledge to develop the SCM which would be used by the Project Team in consideration of best value of the bidder's tender price submission in this single bidder situation.
- 5.6 The SCM for the Enterprise Project uses the base rate from existing contracts and volume data to calculate a 'should cost' for all SORs across all trades which are included in the Core Services (Housing and Corporate) element of the proposed contract. The data was sourced from, and the populated SCM was discussed with and agreed by, officers within Housing Property Services, who are responsible for the management of relevant current contracts.
- 5.7 The SCM uses the same structure and SORs as those included in the Initial and Final Tender submissions, which are required to be completed by the bidder, to enable direct comparison and to assist with determining whether the tender submission represented value for money.
- 5.8 The Project Team advised that the base rates used in the SCM reflected the current costs paid by the Council for the services (as recorded on HSMS (housing management system)), indexed to March 2023 and that the bidder was required to price to this date/on that basis.

5 Control Objective 2: steps taken by management to mitigate risks associated with the single bidder scenario (continued)

- 5.9 In respect of volumes, the Project Team advised that the volumes used in the SCM were estimated based on orders placed in 2021/22 (for housing services) and 2019/20 (for corporate services), identified using reports from HSMS. For SORs where the volume could not be determined, a notional volume of 1 was used. The Project Team also advised that discussions and workshops were held with the Service to review the volumes used in the SCM to ensure that the Service were satisfied that they were reasonable and representative of a 'typical year' (whilst recognising that there is significant year-on-year variation in many types of works).
- 5.10 The SCM was refined by the external advisor in consultation with the Project Team throughout the procurement process to amend for any updates to assumptions and required adjustments which were applied to the existing contract, or have been confirmed for the new contract, but were not reflected in the 'should cost' rates for individual SORs and trades.
- 5.11 Our review of the base rates used in the SCM included checks on the base rates for a sample of trades to confirm whether they matched HSMS (at the original contract award date), indexation had been applied correctly and the calculated base rates matched those used in the SCM. We are satisfied that the base rates used in the SCM have been reasonably calculated in line with the methodology advised. Whilst we identified a small number of issues with individual SORs, these were insignificant and did not materially affect the outcomes from the SCM.
- 5.12 We requested source documentation to evidence how the volumes contained in the SCM were established. The Project Team provided reports from HSMS detailing SOR frequencies for the 'typical' years selected (see paragraph 5.9) and these were compared to the volumes used in the SCM. The source information received accounted for 59% of the SORs contained in the SCM for Housing and 35% for Corporate, therefore our ability to undertake a complete analysis and review of the validity of the volume data contained in the SCM was limited.
- 5.13 Based on the information received, Internal Audit consider that, the methodology applied in determining the volumes for Housing appears reasonable, with 80% of the volumes recorded in the SCM matching those detailed in reports from HSMS.
- 5.14 For Corporate, of the 35% of SORs for which we were provided with HSMS historical volume data, our analysis confirmed that 99% of the volumes used in the SCM matched those detailed in the reports from HSMS.
- 5.15 We also noted that two thirds of all SORs for Corporate contained in the SCM were allocated a notional volume of 1 as data on previous levels of orders was not always readily available. Whilst the use of notional volumes enables a model to be devised and 'like for like' comparison between the SCM and tender prices, Internal Audit considers that this reduces the assurance that can be taken from the projected costs outcome of the SCM for the Core Services – Corporate element of the contract.
- 5.16 We reviewed the type and value of any assumptions and adjustments applied to the SCM throughout the procurement process and confirmed that there was a clear rationale for each, which were supported by appropriate and sufficient documentation.
- 5.17 From our review of documentation relating to the SCM model, we can see that significant time and effort has been expended by the external advisors and Project Team to prepare the SCM and enable proper comparison between the cost of the existing contract and the proposed contract.
- 5.18 Overall, Internal Audit consider that, despite some of the issues identified above, reasonable reliance can be placed on the outcome of the SCM analysis to support management's assessment of best value for the proposed contract.

5 Control Objective 2: steps taken by management to mitigate risks associated with the single bidder scenario (continued)

Open book

- 5.19 The Project Team stated that they would incorporate a requirement for transparent (open book) pricing in the tender documentation. The Initial and Final Tender documentation issued required the bidder to record individual prices for labour, plant, and materials as well as percentages for management costs and profit for each SOR and for narrative orders and dayworks. Based on our review of the tender documentation, Internal Audit can confirm that an open book method for pricing has been followed and can reasonably be used to support management's ongoing assessment of the extent of best value during the lifetime of the contract.

Reduction in scope of work granted on an exclusive basis / non-exclusive work

- 5.20 The Project Team indicated that a reduction in the scope of the work to be granted on an exclusive basis would be incorporated into the contract. The contract contains a clause which states that, subject to satisfactory performance, the contractor will have an exclusive right and obligation in the delivery of core services during the term of the contract.
- 5.21 Our review of the contract documentation confirms that the contract has been split into three distinct areas (Core Services – Housing, Core Services – Corporate and Core Projects), clearly stating that the contractor has exclusivity, subject to satisfactory performance, to deliver Core Services only, Internal Audit considers it important therefore that appropriate and robust contract monitoring arrangements are developed and implemented to enable, where appropriate, the removal of this exclusivity for Core Services in the event of poor contractor performance .
- 5.22 The contract also contains a clause which states that, whilst the contractor will be given the first opportunity to bid for individual core projects, the Council reserves the right to procure these projects from alternative providers, after taking account of factors such as the contractor's performance, quality and competitiveness of previous responses, timescales, and the contractors capacity to undertake each project.
- 5.23 Our review of the contract documentation confirms that the contract includes an exclusivity clause and outlines the engagement process for individual core projects which includes several stages from project request through to contract execution. Internal Audit considers that this will enable the Council to achieve best value in future core projects, however, there is currently no documentation which outlines the process for assessing individual project submissions to determine whether they represent best value and if not, how the delivery of such projects will be procured from an alternative provider.
- 5.24 Internal Audit considers that by reducing the scope of work granted on an exclusive basis, either by removing the right to exclusivity on Core Services, where appropriate, and/or enabling the use of competition in respect of Core Projects, the proposed contract should support the ongoing assessment and delivery of best value during the lifetime of the contract.

Procurement policy terms

- 5.25 The Project Team stated that the Council would prescribe the procurement policy terms for the contractor in relation to advertising, quotations, and sub-contracting. The contract contains a clause which sets out the procurement policy terms in relation to the contractor advertising and obtaining quotations for sub-contracted work opportunities. From our review of the contract, Internal Audit considers that these terms are clear and, if operated as prescribed, should ensure that there is appropriate competition for sub-contracted opportunities.

5 Control Objective 2: steps taken by management to mitigate risks associated with the single bidder scenario (continued)

Social Value

- 5.26 One of the main objectives of the Enterprise Project is to deliver a range of social value benefits for the local community including generating employment and training opportunities, the use of local businesses, community engagement, environmental impacts, and innovation in the delivery of services.
- 5.27 As part of the quality assessment of the tender submission, bidders were required to provide a social value plan detailing their social value commitments and how they plan to deliver specific and tangible social value measures and benefits. Elements of this submission were discussed between the Project Team and bidder during the negotiation process, with some elements being improved. These social value elements will be included in the final contract.
- 5.28 Internal Audit's review confirmed that the social value commitments outlined in the report to Committee in August 2023 are contained in the bidder's final tender submission; however, we consider that a robust process for monitoring and measuring these commitments needs to be established and implemented.

6 Management's assessment of best value

- 6.1 As regards whether reasonable steps have been taken by management to successfully address and mitigate risks associated with the single bidder scenario, including the need to assess whether any proposed contract outcome can be demonstrated to deliver best value to the Council, while competition is widely recognised as the best way to demonstrate value best value in any procurement exercise (and despite the Council's best efforts, this has not occurred in relation to this project), the absence of competition makes demonstrating that the proposed outcome represents/delivers best value more challenging.
- 6.2 We noted that throughout the procurement exercise, the Project Team recognised the challenges presented by the single bidder scenario/lack of competition and acknowledged the need to take steps to be able to ensure that any recommended outcome delivers best value and to be able to demonstrate that to elected members.
- 6.3 We examined the range of actions taken by management to address and mitigate risks surrounding the need to demonstrate/secure best value, how management have assessed whether the proposed outcome represents best value and how this assessment has been communicated to elected members.
- 6.4 Internal Audit noted that management's assessment of best value has been undertaken in line with the intended approach previously reported to Council, combines quantitative and qualitative aspects, and incorporates mechanisms designed to allow and support assessments of best value at both contract award stage and during the life of the contract.
- 6.5 Overall, Internal Audit considers that management's assessment of best value, and the rationale behind this assessment, provided to elected members appears balanced, broadly consistent with Internal Audit's findings and forms a reasonable basis to inform and support decision-making.
- 6.6 Section 7 of this report contains an action plan with audit recommendations primarily focused on issues/management arrangements requiring to be addressed following any contract award. Management responses including agreed planned actions have been provided and progress implementing these will be monitored and reported on by Internal Audit to the Audit and Scrutiny Panel in line with normal arrangements for follow-up of audit recommendations.

7 Recommendations

| No | Recommendation | Management response |
|----|---|--|
| 1 | <p>The Depute Chief Executive should ensure that, as a matter of urgency, work is undertaken to develop and thereafter formally document the 'Intelligent Client' function.</p> <p>This should comprise the oversight and assurance role within the Council to manage the relationship with the successful bidder and be responsible for monitoring performance to ensure that the required outcomes and standards of performance are achieved with clear roles and responsibilities for all levels involved.</p> | <p>Agree</p> <p>As a priority, management will undertake work to develop and implement the 'Intelligent Client' function aligned with the provisions of the contract and the audit recommendation.</p> <p>It should be noted that this is a significant piece of work, which will require input from a number of Chief Officers and other professional supports, which given the short contract mobilisation period, through necessity will extend beyond the service commencement date. The Enterprise Project Team will provide support to the development and implementation of the 'Intelligent Client' function.</p> <p><u>Phase 1</u>: The essential elements for effective performance management</p> <p><u>Phase 2</u>: More advanced approaches developed and introduced, as a priority, on a phased basis thereafter</p> <p>Responsible Officer</p> <p>Andrew McPherson, Depute Chief Executive</p> <p>Timescales</p> <p><u>Phase 1</u>: Commencement of Contracted Service Delivery Date</p> <p><u>Phase 2</u>: Commencement of Contracted Service Delivery Date plus 3 months</p> |

7 Recommendations (continued)

| No | Recommendation | Management response |
|----|--|--|
| 2 | <p>The Depute Chief Executive should ensure that appropriate and robust contract management arrangements, proportionate to the size and scale of this contract and reflecting good practice, are developed, formally documented, and clearly communicated to the team appointed to manage this contract.</p> <p>In doing so consideration should be given, but not limited to, ensuring that:</p> <ul style="list-style-type: none"> • overall ownership of contract management is clear with a 'contract management senior responsible owner' appointed to drive contract management performance; • the lead contract manager has appropriate skills and experience (both specific contract management skills and more general commercial awareness and expertise) with access to relevant training and development; • an adequately resourced, balanced contract management team is established with an appropriate range of skills. A formal assessment of the skills and competencies and any training needs of the established team should be undertaken to ensure effective monitoring of all aspects of the contract can be undertaken; • the contract manager and wider contract management team have defined roles and responsibilities and clear reporting lines; • a clear contract management plan, with a focus on outputs and a 'whole life' approach to contract performance is prepared; • properly detailed processes and procedures are established with clear roles and responsibilities including reporting requirements which take account of the Council's wider governance arrangements; • comprehensive financial monitoring arrangements including coverage of any contract conditions (e.g. service credit model) are implemented; • a comprehensive and objective performance management framework is established with supplier performance assessed using clear, objective, and meaningful metrics; and • risk management arrangements are in place for risks to be formally identified and monitored regularly, with mitigating actions developed and implemented where possible. Escalation and reporting requirements should be clearly set out. | <p>Agree</p> <p>Appropriate and robust contract management arrangements, proportionate to the size and scale of this contract and reflecting good practice, will be developed, formally documented, and clearly communicated to the team appointed to manage this contract, aligned with the expectations set out in the audit recommendation. Update reports provided to the Enterprise and Communities management team every 6 months reporting progress on the implementation of the agreed actions.</p> <p>It should be noted that this is a significant piece of work, which will require input from a number of Chief Officers and other professional supports, which given the short contract mobilisation period, through necessity will extend beyond the service commencement date. The Enterprise Project Team will provide support to the development and implementation of the 'Intelligent Client' function.</p> <p><u>Phase 1</u>: The essential elements for effective contract management</p> <p><u>Phase 2</u>: More advanced approaches developed and introduced, aligned with contract commitments, on a phased basis thereafter.</p> <p>Responsible Officer</p> <p>Andrew McPherson, Depute Chief Executive</p> <p>Timescales</p> <p><u>Phase 1</u>: Commencement of Contracted Service Delivery Date</p> <p><u>Phase 2</u>: Commencement of Contracted Service Delivery Date plus 12 months</p> |

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7 Recommendations (continued)

| No | Recommendation | Management response |
|----|--|--|
| 3 | The Depute Chief Executive should ensure that the identified contract mobilisation tasks are completed in an appropriate and timely manner. | <p>Agree</p> <p>As acknowledged in the audit report, a mobilisation group and plan is in place and being progressed with the Chief Officer (Housing Management) overseeing delivery of the plan.</p> <p>The Chief Officer (Housing Management) will ensure that the tasks contained in the mobilisation plan are implemented in accordance with the agreed timescales and report progress on a regular basis to Enterprise Project Board.</p> <p>Some mobilisation tasks are required in advance of commencement of contracted service delivery date, others on a phased basis thereafter aligned with contractual provisions.</p> <p><u>Phase 1</u> Completion of the essential mobilisation tasks to support commencement of contracted service delivery</p> <p><u>Phase 2</u> remaining mobilisation tasks aligned with contract provisions</p> <p>Responsible Officer Stephen Llewellyn, Chief Officer (Housing Management)</p> <p>Timescales <u>Phase 1:</u> Commencement of Contracted Service Delivery Date <u>Phase 2:</u> Commencement of Contracted Service Delivery Date plus 6 months</p> |
| 4 | The Depute Chief Executive should ensure that a Benefits Realisation Plan is prepared to record, calculate, and monitor the social value aspects of the Enterprise Project, with regular and timely reporting to key stakeholders. | <p>Agree</p> <p>The Enterprise Project Team shall:</p> <ul style="list-style-type: none"> develop a template Benefits Realisation Plan which will make provision for frequency of measurement, recording mechanisms, monitoring arrangements, related roles and responsibilities of the contract management team and other Council teams; provide documentation on all benefits committed to by the Contractor and the timescale for delivery of the benefits to the team appointed to manage the contract (see management response to audit recommendation 1); and communicate to the team appointed to manage the contract, how the contract management arrangements for benefits realisation (including corrective action) in the new contract should operate. <p>The team appointed to manage the contract (see management response to audit recommendation 1) shall manage the delivery of the Benefits Realisation Plan and report on the contractor's performance against the plan. The information shall be prepared in advance of the first Contract Service Management Group meeting which shall be held quarterly with the first meeting 3 months after Service Commencement.</p> <p>Responsible Officer Andrew McPherson, Depute Chief Executive</p> <p>Timescale Commencement of Contracted Service Delivery Date plus 3 months</p> |

7 Recommendations (continued)

| No | Recommendation | Management response |
|----|---|---|
| 5 | The Depute Chief Executive should ensure that a procurement engagement and assessment process for the non-exclusive element of the Enterprise Contract (Core Projects) is developed, fully documented, and clearly communicated to, and properly implemented by, the team appointed to manage the contract. | <p>Agree</p> <p>The team appointed to manage the contract (see management response to audit recommendation 1) will ensure that a procurement engagement and assessment process for the non-exclusive element of the Housing and Corporate Contract (Core Projects) is developed, fully documented, clearly communicated, and properly implemented. The Enterprise Project Team will provide support to the development and implementation of the engagement process.</p> <p>Responsible Officer</p> <p>Andrew McPherson, Depute Chief Executive</p> <p>Timescales</p> <p>Commencement of Contracted Service Delivery Date plus 6 months (no Core Projects shall be offered to the Contractor in advance of this timescale)</p> |

Appendix 1 – Project Management Good practice toolkit – key questions

| Strategic Definitions and Preparation of Business Case | |
|--|--|
| 1 | Has it been clearly documented what the programme/project is intended to achieve/deliver with realistic objectives and an understanding of what success looks like? |
| 2 | <p>Has a detailed Project Business Case or equivalent been prepared which outlines the programme/project scope, expected deliverables, costs, affordability, risks, procurement route and high-level project plan?</p> <p>Note – in reviewing the project business case or equivalent consideration should be given to whether it clearly documents and demonstrates that:</p> <ul style="list-style-type: none"> the council is clear about the benefits expected and about how they will be achieved. options have been identified and assessed. project costs have been built up in a consistent manner, including, where appropriate, specific risks, optimism bias allowances, and realistic inflation costs. project procurement routes and options have been fully explored and form part of the developed project business case. |
| Governance | |
| 3 | Has a Project Board or equivalent been established to undertake a high-level monitoring role for the project and ensure that decisions made regarding the project are adequately considered? |
| 4 | Does the Project Board or equivalent have clear terms of reference and it is chaired by the SRO and attended by all key people involved in the project? |
| 5 | Have clearly defined roles and responsibilities been documented for the SRO, Project Sponsor, Project Manager and Project Team? |
| 6 | Is there a distinct project/programme management team with authority and responsibility for delivering the programme? |
| 7 | Is the Project Board meeting regularly? |
| Project Plan | |
| 8 | Is there a high-level project plan and does it establish project/programme timescales? |
| 9 | Is the project plan broken down into manageable workstreams and relevant project milestones which are meaningful to the Project Board to allow accurate and frequent tracking of progress on the project and maximise visibility of inter-dependencies? |
| 10 | Does the project plan record and continually update its critical path? |
| 11 | Are critical path activities identified and used as a base timeline against which other activities and interdependencies are reported on? |
| 12 | As necessary, is analysis undertaken of the effects of any slippage on time, cost, scope or quality? |
| Risk Management | |
| 13 | Where appropriate was a Preliminary Risk Assessment (PRA) undertaken? |
| 14 | <p>Is there clear evidence of appropriate consideration of risks which have the potential to undermine the success of the programme/project?</p> <p>Have these been recorded on a project risk register which includes an assessment of likelihood and impact and are the results used to inform the management of project risks?</p> |
| 15 | Is up to date information on key risks regularly presented to the Project Board or equivalent? |
| 16 | Has a threshold been agreed at which risks require to be escalated? Are these arrangements working in practice? |

Appendix 1 (continued) – Project Management Good Practice Toolkit – key questions

| Procurement | |
|---|---|
| 17 | Where procurement is required, are procurement activities being undertaken in a manner consistent with corporate expectations (i.e. compliance with CSOs, use of appropriate and legally compliant competitive processes designed to secure achievement of best value etc)? |
| Planning – Benefits Realisation | |
| 18 | Has a benefits realisation plan been prepared which details identified programme benefits, ways of measuring achievement of those benefits and benefit owners? Have the Project Board approved the plan? |
| 19 | Has current baseline performance been documented and is there an appropriate plan to establish what information needs to be captured to measure future impacts and/or changes in performance arising from the programme/project? |
| Oversight and Scrutiny – Project Board | |
| 20 | Are there arrangements in place to allow the SRO and Project Board to regularly monitor delivery of the programme/project against the project plan including costs v budget, achievement of key milestones and performance v timescales? |
| 21 | Do progress reports to the SRO/Project Board make appropriate use of expected reporting formats and/or include: <ul style="list-style-type: none"> • details of progress against pre-defined criteria on cost, time, quality, and key project milestones; • reports on individual work packages/workstreams; • resources and funding used to date (including against expectation and progress); • details of any changes to previously approved plans/timelines/milestones; and • confidence in forward plans? |
| 22 | Where there are issues which are impacting (or are considered likely to impact) on the successful delivery of a programme/project (on the achievement of planned deliverables/outcomes, or to time, or to budget), have these issues been discussed and remedial actions identified? Are the implementation of these actions and their impact being monitored? |
| 23 | Is performance against the benefits realisation plan reviewed to determine whether the programme is on track to deliver intended benefits and outcomes? |
| 24 | Is the programme on track to deliver intended benefits? |
| Oversight and Scrutiny – Elected Members | |
| 25 | Are there regular reports to elected members on the progress of the programme/project? |
| 26 | Do reports to elected members provide a realistic overview of the progress of the programme/project to date (including costs v budget, achievement of key milestones and performance v timescales) to enable members to provide effective oversight and scrutiny? |
| 27 | Where appropriate, are any key risks or issues impacting (or likely to impact) on successful delivery highlighted and information provided as to what management is doing or plans to do in response? |
| 28 | Where the Project Board has agreed changes to expected milestones/timescales/budgets have any material changes reported to elected members? |

Appendix 2: Best Value Good Practice Aspects – key questions

| External benchmarking to validate costs and financial models | |
|--|--|
| 1 | Has benchmarking been undertaken by professional advisers with appropriate skills and knowledge? |
| 2 | Where data has been benchmarked, are we comparing like with like? |
| 3 | <p>Has benchmarking followed the 7 best practice steps:</p> <p>a) Confirm that the project objectives and set the metrics</p> <ul style="list-style-type: none"> Is there a clearly documented scope for benchmarking which sets out the objectives of the benchmarking exercise and the data to be benchmarked? Has the information for benchmarking been identified? Is this information reasonable (consistent with what will be produced), accurate and current? <p>b) Break the project into major components for benchmarking.</p> <ul style="list-style-type: none"> Have the core components of the project been identified to enable comparison to similar components on other projects? <p>c) Develop templates for data gathering.</p> <ul style="list-style-type: none"> Is there a robust data structure which outlines protocols for the measurement and inclusion of information alongside data templates? Have the standards, requirements and expectations of benchmarking data been clearly stated? Have templates for recording data and undertaking comparisons been developed? <p>d) Scope sources and gather data.</p> <ul style="list-style-type: none"> Have sources of data for benchmarking been identified and has appropriate data been gathered from these sources to enable benchmarking? <p>e) Validate and re-base data.</p> <ul style="list-style-type: none"> Has data been validated and cleansed to ensure accurate information and benchmarking? Has data been re-based to ensure that all records are comparable and consistent? Has risk and uncertainty been accounted for to ensure accurate comparisons? Have data validation rules and processes been established? Have processes for reviewing, investigating and fixing any data issues been established? <p>f) Produce and test the benchmarking figures.</p> <ul style="list-style-type: none"> Have appropriate techniques been used to produce valid benchmarking figures and ranges? Are we comparing similar data to ensure that outputs can be used to inform decisions? <p>g) Review and repeat, if necessary, before using the data for benchmarking.</p> <ul style="list-style-type: none"> Have the benchmarking practices been reviewed to support continuous improvement? Will these benchmarking figures be used to inform future decisions? |
| 4 | How has the benchmarking exercise been collated and what output was produced? |
| 5 | Has the outcome of benchmarking exercises been used to assess and review tender prices submitted by the single bidder and inform any decision making? |
| 6 | Has the outcome of benchmarking exercises been formally notified to the Project Board? |
| 7 | When and how have/will the results of benchmarking exercises been/be presented to the relevant Committee? |

Appendix 2 (continued): Best Value Good Practice Aspects – key questions

| The development of a 'Should Cost' model | |
|--|---|
| 8 | Step 1 – Plan: Has a clear and comprehensive scope been prepared which outlines the purpose of the SCM, what it needs to achieve and the work to be undertaken (e.g. overview, costs, modelling techniques, data and assumptions, tool selection and quality assurance plan)? Have necessary resources been identified and made available (time as well as professional advisers with appropriate skills and knowledge)? Has the approach to QA and testing been clearly set out (e.g. error checking, verification (alignment with specification) and validation (fit for purpose))? Has a preliminary delivery plan been prepared (to provide clear timelines and milestones)? |
| 9 | Step 2 – Design: Has a specification been prepared and does this reflect and meet the requirements set out in the scope (i.e. a documented process for how the SCM will be prepared and used)? Has risk and uncertainty been appropriately considered and addressed (should be set out in the specification)? Have model input (e.g. data and assumptions) and output templates been prepared and are they appropriately laid out? (i.e. depict how model inputs and outputs will be organised within and across different worksheets). Have data requirements and associated data sources been identified and reviewed for quality? |
| 10 | Step 3 – Develop: How was the costing model prepared? Does the SCM reflect known areas of spend and does it cover all areas of the contract? Are costs based on prices in real terms, at an appropriate point in time? Are costs based on expected demands (i.e. volume)? Has the SCM been checked to ensure that all data, formulas, etc are accurate? |
| 11 | Step 4 – Test: Has the model been tested in line with the QA plan and have procedures been documented? Have all issues arising from the QA and testing been identified, documented, and addressed? Is there a clear record of issues arising and how they were resolved? Have any limitations, including areas not addressed by QA and testing, been included in QA reports and highlighted within the model documentation? |
| 12 | Step 5 – Use: Has the outcome of the SCM been notified to the project team and has this been assessed to inform the next stage of the procurement? Has the SCM been used to assist in the tender process? Have any specific reports on the SCM been presented to the Project Board? If so, has the Project Board approved/determined how the outcome of the SCM should be used? |

Appendix 2 (continued): Best Value Good Practice Aspects – key questions

| The adoption of transparent pricing and other mechanisms (open book) | |
|--|---|
| 13 | Obtain evidence of movement to adoption of transparent pricing (e.g. changes in draft ITN to final ITN) for: <ul style="list-style-type: none"> For each SOR, five cost element rather than just a single cost; and breakdown of management fee to provide information on central overheads, management costs and recovery to parent group. |
| 14 | Obtain evidence of use of transparent pricing in the ITN submitted by the single bidder. Does the transparent pricing cover all areas of the contract (including those not easy to define)? |
| 15 | Were tolerances used in tender documentation to easily identify the cost of service and any large price differences? |
| 16 | Which areas formed the basis of the discussions for the clarification process? Do these appear reasonable in relation to aspects of the initial bid which were out with the stated tolerance levels? |
| 17 | What was the outcome of the discussions for the clarification process and did this resolve most of the issues identified in relation to tolerance levels? |
| 18 | Is there a balance between areas where assessment shows good value for money and those with less competitive quotes? |
| A reduction in the scope of work which is to be granted on an exclusive basis to the service provider and an increase in the requirement for the service provider to demonstrate value for money over the contract term for non-exclusive work | |
| 19 | Obtain evidence of changes in the scope of work to: <ul style="list-style-type: none"> reduce the level of exclusive work to the single bidder; and introduce the requirement for the single bidder to demonstrate best value prior to award of capital (non-exclusive) work |
| 20 | Obtain details of the documented engagement process for non-exclusive work and how bids from the single bidder will be assessed. Critically appraise the process and determine whether it takes account of the single bidder's: <ul style="list-style-type: none"> performance, quality, and competitiveness of previous proposals; ability to meet the timescales; and capacity to fulfil the request? |
| The Council prescribing the procurement policy terms for advertising, quotations, and sub-contracting | |
| 21 | Obtain evidence to confirm that the terms and conditions of the contract: <ul style="list-style-type: none"> clearly prescribe the procurement policy terms for advertising, quotations and sub-contracting to ensure appropriate competition; and allow for appropriate visibility for the Council to ensure that the process is undertaken in an open and fair manner |
| Additional measures in relation to contract monitoring | |
| 22 | Obtain evidence, that the terms and conditions of the contract includes: <ul style="list-style-type: none"> ongoing monitoring of prices against industry throughout the duration of the contract (indexation adjustments); and independent benchmarking for some or all component parts to ensure price increases are in line with the market and that any reduction in market prices will see contract prices adjusted downward |
| 23 | Has a process been established for undertaking this work, setting out how often it will occur, what will be checked and how it will be checked? |

Appendix 2 (continued): Best Value Good Practice Aspects – key questions

| Best value in relation to non-financial outcomes | |
|--|---|
| 24 | Has the assessment of the bid included both financial and non-financial outcomes and are these balanced? |
| 25 | Obtain evidence to confirm that the social value commitments outlined in Appendix 8 of the report to Council in August 2023 will be included in the contract. |
| 26 | How did the project team determine which social benefits are acceptable and which need further discussion/ negotiation (e.g. consideration of any financial impact and optimum level where additional benefits would be an additional cost to the Council)? |
| 27 | What was the basis of discussion and negotiation around non-financial outcomes (i.e. which benefits did the discussion focus on)? Have there been any improvements (or do you anticipate any improvements at the negotiation stage)? |

North Lanarkshire Council Report

Council

Does this report require to be approved? ☒ Yes ☐ No

Ref JMcK/GP

Date 28/03/24

The Enterprise Strategic Vehicle – Housing and Corporate Maintenance and Improvement Services Contract – Contract Award

From James McKinstry - Chief Officer (Assets and Procurement)
Brian Lafferty - Chief Officer (Housing and Property Services)
Stephen Llewellyn - Chief Officer (Housing Management)

E-mail mckinstryj@northlan.gov.uk **Telephone** 07939281102

Executive Summary

The purpose of this report is to seek approval to award a contract for the future delivery of Housing and Corporate maintenance and improvement services to Mears Limited following the completion of a procurement exercise undertaken in accordance with the Public Contracts (Scotland) Regulations 2015 and the council's General Contract Standing Orders.

The proposed contract will allow the council to access a range of maintenance, repair and essential compliance services for its Housing and Corporate property portfolio, under a single contractual agreement. These include:

- gas servicing;
- planned maintenance on tenanted, corporate and empty properties;
- responsive repairs;
- essential compliance services (including; fire safety, gas safety, electrical testing and asbestos management);
- some related call handling services;
- investment projects/programmes; and
- ad-hoc minor works.

The proposed contract will have a minimum initial period of eight years with contract extensions available, at the council's discretion, to a maximum contract duration of twelve years.

The estimated upper financial limit of the proposed contract, over the maximum duration of the contract, including contingency, is £1.8 billion.

From the outset the council had a strong conviction that the proposed contract needed to be more than a straightforward buyer - contractor transactional arrangement. Pre-procurement development work and early market engagement indicated that a strategic relationship, with long term commitment, a focus on operational delivery, joint improvement and high level of cooperation had scope to achieve added value and long-term gains for North Lanarkshire's residents, communities, and businesses.

The proposed contract will deliver a range of service improvements, increase efficiency and importantly create significant social value for the local area at a scale not achievable from current practice.

Should the Council approve the award of the proposed contract, the contractual documentation will be concluded, and the contract mobilised. 'Day one' services are now targeted to commence on 1 July 2024, with the remaining services commencing thereafter on a phased basis in accordance with the agreed service transition plan.

Project Governance

The Project Board meets regularly to oversee all aspects of the Enterprise Project, in addition periodic reports are provided to the corporate management team and Committee.

Internal Audit has reported previously on this project on three occasions, with the reports providing generally positive assessments of the project governance arrangements. Internal Audit has recently completed further work in relation to aspects of the Enterprise Project as part of the 2023-24 Internal Audit Plan. The results of the latest audit were reported, under separate cover, as part of the agenda for the meeting of the Council on 28 March 2024.

Recommendations

It is recommended that the Council:

1. approve the award of the contract, as detailed in this report, for Housing and Corporate Maintenance and Improvement Services to Mears Limited.

The Plan for North Lanarkshire

| | |
|--------------------|--|
| Priority | All priorities |
| Ambition statement | (24) Review and design services around people, communities, and shared resources |

1. Background

In 2019, North Lanarkshire Council (the 'council') outlined a shared vision for long-term growth and prosperity for the area's communities focused on inclusivity - plan for North Lanarkshire (the 'Plan').

The Enterprise Project is a key element of the council's work programme to fulfil the Plan. It aims to establish an integrated approach for the future delivery of repairs, maintenance and investment in the council's housing, corporate and roads and infrastructure asset portfolio.

Phase one of the Enterprise Project focuses on three substantial public procurements to support the agreed delivery model and to secure continuity of essential service provision;

1. Housing and Corporate maintenance and improvement services (the 'Housing and Corporate Contract');
2. Roads and infrastructure maintenance and improvement services (the 'Roads Contract'); and
3. Place shaping advice and services (the 'Place Shaping Contract').

Its ambition is to:

- develop an innovative new approach to delivery for a full range of interconnected property, community asset and infrastructure investments to ensure the Council delivers on its shared ambition for inclusive growth and prosperity for the people and communities of North Lanarkshire;
- create strategic relationships with a small number of best-in-class, Tier 1, private sector contractors while cultivating an integrated internal 'intelligent client' function and bolstering internal commercial capacity and expertise;
- support the delivery of key policy themes, such as social value, fair work practices; and
- deliver a range of service improvements and increase efficiency.

The Policy & Strategy Committee has previously received a number of reports updating on the progress and development of the Enterprise Project and in its previous form, the Enterprise Strategic Commercial Partnership:

- Enterprise Strategic Commercial Partnership reports:
 - February 2019;
 - March 2020;
- Enterprise Project reports:
 - December 2021;
 - December 2022; and
 - December 2023.

In addition, a report was provided to a meeting of the Council on the 17 August 2023.

The Council, at the meeting of 17 August 2023, agreed that in relation to procurement of the Housing and Corporate Contract that the following actions be progressed:

- the current procurement exercise should proceed to a conclusion; and
- on completion of the procurement process and subject to the Bidder satisfying the council's requirements in full, the Council be asked to approve the award of the contract in February 2024, with the services targeted to commence on a phased basis from 1 April 2024.

This report confirms the outcome of the procurement exercise for the Housing and Corporate Contract, the financial implications of the award of the proposed contract, the benefits that the contract will deliver, and the outcome of the work undertaken to allow the council to evidence that moving to contract award from a procurement with a single bidder represents Best Value.

The existing Housing and Corporate maintenance contract currently delivered by Mears Scotland LLP in a Joint Venture with the council and the Gas Servicing contract with Saltire Facilities Management Ltd were both due to expire in January 2024.

The short-term extensions to the current contracts with Mears Scotland LLP and Saltire Facilities Management Ltd, approved at the meeting of the Council on 17 August 2023, have been actioned and both contracts are now due to expire on 30 June 2024.

The award of the proposed contract will provide the successor arrangements to the current contracts.

2. Report

2.1 The proposed contract will allow the council to access a range of maintenance, repair and essential compliance services for its Housing and Corporate property portfolio, under a single contractual agreement. These include:

- gas servicing;
- planned maintenance on tenanted, corporate and empty properties;
- responsive repairs;
- essential compliance services including; fire safety, gas safety, electrical testing, water testing and asbestos management;
- some related call handling services;
- investment projects/programmes; and
- ad-hoc minor works.

2.2 The services will be delivered to the following asset types including but not limited to:

- Housing – approximately 37,000 homes, including housing for mid-market rent, housing for social rent, retirement housing, sheltered housing and supported needs housing; and
- Corporate - approximately 1200 buildings, which include public buildings, educational establishments, community facilities and other miscellaneous buildings.

- 2.3 The number of properties to be maintained may reduce or increase during the term of the proposed contract as a result of demolition, disposal, acquisition, new supply or other legislative measures.

The Proposed Contract - scope, duration and estimated spend

- 2.4 The scope of the proposed contract comprises two main parts:

Core Services

- The provision of planned maintenance on tenanted housing, corporate and empty properties, responsive repairs, gas servicing and essential compliance services (including: fire safety, gas, electrical and water quality testing, asbestos management and the New Core Services) (collectively the 'Core Services'). Core Services are generally revenue funded with an estimated value of circa £60m per annum; and
- to augment the services provided under the current Housing and Corporate maintenance contract and the Gas Servicing contract, there are an additional 42 individual contracts in place. The proposed contract will incorporate these 42 individual contracts, on a phased basis, including gas servicing (the 'New Core Services') in a single contractual agreement.

Core Projects

- The provision of investment projects/programmes, (the 'Core Projects') which include life cycle replacements of components of assets at scale; including but not limited to replacement of kitchens, bathrooms, flooring, roofs, mechanical and electrical installations, heating installations, windows, doors, decoration works, drainage works, communal area works, tower block works, and other related works. Core Projects are generally funded from capital with an estimated value of circa £60m per annum.
- 2.5 Further detail as to the services that will be provided under the proposed contract and the individual contracts that will be incorporated in the proposed contract was included in the report considered at the meeting of the Council on 17 August 2023. For convenience, this information is reproduced as Appendix 3 and Appendix 4 respectively.
- 2.6 The proposed contract will have a minimum initial period of eight years with contract extensions available, at the council's discretion, to a maximum contract duration of twelve years. When considering any extension(s) to the contract, the council may take into account factors such as the contractor's performance, changes in service requirements and consideration of alternate service delivery options.
- 2.7 The proposed contract was advertised with an estimated maximum value of £1.8bn over the maximum twelve-year contract period. The estimated value of the proposed contract was derived from analysis of historical spend data, adjusted where required, to reflect future service requirements and estimated order volumes. The estimated contract value ensures that there is sufficient capacity within the proposed contract to accommodate all aspects of the contract scope, and a contingency allowance to accommodate growth and unforeseen peaks in demand.
- 2.8 The proposed contract does not guarantee the contractor a minimum level of business. The actual value of the contract will be determined by the work types and volumes the council orders, the extent to which the contractor secures Core Projects, and ultimately

by budget availability. This means that the actual total value of the proposed contract when in operation, will fall somewhere in the range of between £720m¹ and £1.8bn².

¹ Assumes that the contract is in operation for the maximum 12-year contract term, Core Services only and that no contingency is required.

² Assumes that the contract is in operation for the maximum 12-year contract term, Core Services and all Core Projects and that all of the contingency is required.

Exclusivity and the Contractors obligation to provide the services

Core Services

- 2.9 Subject to the satisfactory performance of the contract, the contractor shall have an exclusive right and obligation to act as the council's external provider in the delivery of Core Services during the term of the contract.
- 2.10 The contractor is obligated to provide the Core Services. Where the contractor fails to deliver the Core Services in accordance with the contract the council shall be entitled to:
- remove the contractor's exclusivity (in whole or in part) for such period of time as the council may determine; and/or
 - exercise its contractual options in respect of the contractor's failure to carry out the services or meet quality standards.

Core Projects

- 2.11 The council will provide the contractor with the 'first opportunity' to submit proposals for the delivery of individual Core Projects as described in the Annual Service Delivery Plan.
- 2.12 Where the council issues a project request for a Core Project and the Core Project is included in the Annual Service Delivery Plan, the contractor is obligated to submit a project response for and (where required by the council) to provide such Core Project. Where the Core Project is not included in the Annual Service Delivery Plan the contractor shall use all reasonable endeavours to submit a project response for such Core Project within the required timescales and (where a Core Project Contract is agreed by the council) deliver the Core Project.
- 2.13 The decision to issue a project request is at the council's sole discretion. The contractor's right of 'first opportunity' is awarded at the discretion of the council. In reviewing the position, the council may take into account factors such as:
- the contractor's performance of its obligations under the contract;
 - the quality and/or competitiveness of previous project responses;
 - the council's timescales; and
 - the contractor's capacity.
- 2.14 If the contractor refuses to submit a project response for or, in the reasonable opinion of the council, is unable or unwilling to submit a project response for or provide all or any part of the Core Projects, the council may remove the contractor's 'first opportunity' and procure replacement services from an alternate provider for such period as the council deems appropriate.

- 2.15 Notwithstanding paras 2.11 to 2.13, the council reserves the right at its discretion to procure Core Projects from alternative provider(s) in circumstances where:
- the council rejects the contractor's project response;
 - the contractor's project response is not submitted in the timescales required by the council or not submitted to the level of detail reasonably required by the council;
 - the council considers (acting reasonably) that the contractor is unable or unlikely to meet the council's requirements in relation to the project request;
 - the contractor has failed to:
 - deliver its Social Value and Fair Work commitments; and/or
 - provide the services in accordance with the performance indicators;
 - the council is entitled to exercise its options in respect of the contractor's failure to carry out the services or meet quality standards;
 - the contractor has committed a default which is a material breach of the contract; or
 - timescales or circumstances are such that the council must seek proposals from a wider market representation.
- 2.16 This commercial approach ensures that the council will always pay the 'market rate' for Core Projects.

The Procurement Process

Pre- procurement activity

- 2.17 The procurement of the service requirement was complex and required significant market engagement, stakeholder consultation, scope and price modelling, contract drafting, data gathering, and analysis.
- 2.18 The pre-procurement preparatory work, undertaken collegiately with internal service teams and drawing on advice and expertise from the project's external advisers, involved a comprehensive review of terms and conditions of contract, service requirements, pricing approaches, and performance monitoring to ensure that the successor contracts to the current arrangements deliver commercial advantage for the council, the public purse and secure the intended wider socio/economic benefits for North Lanarkshire.
- 2.19 A Prior Information Notice (PIN) was published on 21 September 2021 and received 103 notes of interest from potential contractors. Thereafter, between October 2021 and March 2022, the council conducted 4 rounds of market engagement. The engagement took the form of online plenary events, followed by one-to-one meetings between potential bidders and the Project Team and senior stakeholders.
- 2.20 The council also issued a number of supplier surveys which resulted in the sharing of valuable information which helped inform the final design of the proposed contracts and to structure the procurement approach in a way that would deliver the project objectives and encourage a level of market participation that would support a viable procurement.
- 2.21 The extensive interaction with potential bidders provided the council with a reasonable degree of confidence that the contract opportunity would attract sufficient market interest and an expectation that the procurement could be progressed to a successful conclusion.
- 2.22 The council also held an information event in conjunction with Supplier Development Programme to signpost the tender opportunity, explain the council's approach, the

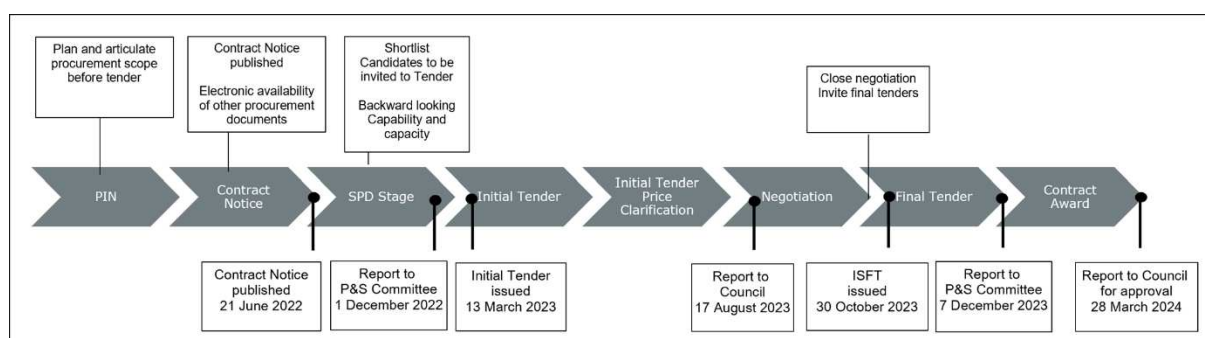
potential implications and opportunities for the market, including small and medium sized organisations ('SMEs') to engage with the contract opportunity.

- 2.23 An update on the pre-procurement activity and the challenging prevailing market conditions, which may adversely impact on the number of potential bidders participating in the procurement, was provided to the Policy and Strategy Committee in December 2021.

The procurement procedure

- 2.24 The procurement procedure was conducted in accordance with the Public Contracts (Scotland) Regulations 2015 (the 'Regulations') and the council's General Contract Standing Orders. The tender process was conducted digitally using the Public Contracts Scotland Tender (electronic PCS-T) system.
- 2.25 The procurement process was undertaken in accordance with the Competitive Procedure with Negotiation procedure (Regulation 30 of the Public Contracts (Scotland) Regulations 2015), which involves two post-selection stages of tendering (Initial Tenders and Final Tenders, both with clarification exchanges as required) with an intervening period of negotiation. An overview of the procurement procedure, current status and timeline for completion of the procurement and mobilisation of the proposed contract is summarised in Figure 1.

Figure 1



- 2.26 The Contract Notice and supporting procurement documentation was published on the UK Find a Tender Portal and the Public Contracts Scotland Portal on 21 June 2022, this formally launched the procurement.

Selection stage

- 2.27 Despite the comprehensive and positive pre-procurement market engagement detailed at paras 2.19 to 2.23 only one request to participate in the procurement (the "Selection Stage submission") was received by the 12 August 2022 response deadline. The Selection Stage submission was received from Mears Ltd (the 'Bidder').
- 2.28 The Selection Stage submission was evaluated against the council's predetermined published selection criteria, which included economic and financial standing, business probity, technical and professional ability, and organisational approaches to fair work and environmental practices.
- 2.29 The evaluation determined that the Selection Stage submission met all of the council's selection criteria and could be progressed to the next stage of the procurement.

- 2.30 The decision to proceed with a single bidder, related legal advice and the actions to be taken to evidence Best Value in a single bidder scenario were set out in the report to the Policy and Strategy Committee on 1 December 2022.
- 2.31 The selection stage criteria and outcome of the evaluation of the Selection Stage submission was included in the report considered at the meeting of the Council on 17 August 2023, for convenience, this information is reproduced as Appendix 5.

Initial Tender stage

- 2.32 An invitation to submit an Initial Tender was issued to the Bidder on 13th March 2023.
- 2.33 The Bidder's Initial Tender submission (the 'Initial Tender submission') was received by the 5 May 2023 response deadline. The Initial Tender submission was assessed against the council's agreed predetermined published award criteria, which included service delivery, social value, contract terms and commercial approaches.
- 2.34 Assessment of the qualitative aspects of the Initial Tender submission comprised, at this stage of the procurement, an assessment, as to whether each of the qualitative award criteria, either 'met the requirement' or as 'not yet meeting the requirement'.
- 2.35 The assessment determined that the Initial Tender submission met 19 of the 26 qualitative award criteria assessed at this stage, with 7 of the qualitative award criteria, assessed as 'not yet meeting the requirement'. The 'Legal' criterion was not assessed at this time.
- 2.36 The 7 qualitative award criteria assessed as 'not yet meeting the requirement', were not considered to be of significant concern at this time, as the next steps in the procurement process were designed to facilitate improvement in both the qualitative and financial aspects of the Initial Tender submission and that the consideration of a positive contract award decision would be contingent on the Bidder meeting the council's requirements in full.
- 2.37 Assessment of the financial elements of the Initial Tender submission indicated that;
- the cost of providing the Core Services under the proposed contract would increase by 9.31% when modelled against current costs (the 'Should Cost Model, see para 2.86(c)'); and
 - the Bidder would only secure a small proportion of the available Core Projects as its pricing proposal is above the council's Should Cost Model. However, it was noted that this position may change as the procurement progressed and/or through further Best Value testing when the proposed contract was in operation.
- 2.38 The high-level award stage criteria and outcome of the assessment of the Initial Tender submission was included in the report considered at the meeting of the Council on 17 August 2023. Appendix 6 contains further detail of the award criteria and for convenience the outcome of the assessment of the Initial Tender submission is reproduced as Appendix 7.

Negotiation stage

- 2.39 The negotiation stage commenced on 5 September 2023 and completed on 30 October 2023.
- 2.40 The negotiations focused on key technical, operational, legal and commercial issues aimed at the Bidder improving on its Initial Tender submission in its Final Tender submission. The negotiation stage was also used to emphasise to the Bidder any

elements of its Initial Tender submission which 'as yet does not meet' the council's requirements, with the Bidder encouraged to improve its proposals appropriately in its Final Tender submission in accordance with the procedure set out in the Regulations.

- 2.41 The project plan made provision for three rounds of negotiation with the Bidder, however given the complexity, the range and importance of the discussions, two additional rounds of negotiation were required.
- 2.42 The negotiations were positive, providing a high degree of confidence that the improvement opportunities and other matters discussed during the negotiations would be confirmed / addressed in the Bidder's Final Tender submission.

Final Tender stage

- 2.43 An invitation to submit a Final Tender was issued to the Bidder on the 30 October 2023 with the Bidder providing its Final Tender submission by the 20 November 2023 response deadline.
- 2.44 The Final Tender submission was evaluated against the council's predetermined published award criteria, the award criteria remained unchanged from the Initial Tender stage.
- 2.45 The award criteria included technical and commercial sections that were evaluated against the following high-level criteria and weightings:
- Quality 60% (Technical); and
 - Price 40% (Commercial).
- 2.46 Evaluation of all stages of the procurement was undertaken in accordance with the approved evaluation plan for each respective stage of the procurement. Evaluation was undertaken by a multi-disciplinary team, with over 40 individual evaluators involved in the evaluation of each of the Selection stage, Initial Tender, and Final Tender submissions.
- 2.47 The price and quality evaluations were undertaken concurrently but remained separate and independent to each other. The scores for both were consolidated at the final tender stage to provide an overall score.

2.48 Price evaluation

Assessment of the financial elements of the Final Tender submission confirm that:

Core Services

- 2.49 The cost of providing the Core Services under the proposed contract would increase by 4.96% when modelled against current costs (the 'Should Cost Model see para 2.86 (c)').
- 2.50 While there will be some variation in the value of work that is instructed through the proposed contract, using the estimated value of Core Services of circa £60m per annum as a proxy, this would equate to an increase of circa £2.976m per annum excluding an inflation adjustment. One off contract mobilisation costs, which include the development of IT business interfaces and associated hardware/software, rebranding, training and development, and the expansion and upgrades to operational premises, of circa £992,000 would also be payable in the first year of the proposed contract.

- 2.51 The phased mobilisation of the New Core Services into the proposed contract will defer the full cost increase impact for these services until years 3/4 of the proposed contract. This is not reflected in the Should Cost model but is a transitional cost benefit for the council.
- 2.52 The cost of providing the Core Services under the proposed contract is assessed, as generally representing fair market rates and falling within acceptable parameters.

Core Projects

- 2.53 For Core Projects, with a few exceptions, the Bidder's pricing proposal is generally above the council's benchmarks. The extent to which the contractor secures Core Projects will be determined by Best Value testing via the engagement process set out at paras 2.11 to 2.15. Should the council determine that the contractor's offer to deliver a Core Project does not constitute Best Value, then the council will procure and manage the requirement by other means. This commercial approach ensures that the council will always pay the 'market rate' for Core Projects.

Financial Implications

- 2.54 The cost implications of the proposed contract need be considered in the context of current economic volatility, general market conditions and a recognition that some of the improvements, including social value, the service credit model, enhanced performance monitoring and reporting, incorporated in the proposed contract, have upward cost implications.
- 2.55 An increase in costs is not unique to this procurement, construction cost consultants' reports, in the public domain, reporting construction costs while reducing from previous highs, remain above the rate of inflation. Cost consultants' reports indicate tender price inflation of between 3.7% and 5.5% in 2023 and estimate further rises of between 2.7% and 4.5% and 3% and 3.5% in 2024 and 2025 respectively. In addition, the General Fund and Housing Revenue Account budget processes for 2024/25 reflected market estimates of contract inflation.
- 2.56 For some recent capital projects the council has recently experienced double digit percentage increases in tendered costs when compared with pre-procurement estimates.
- 2.57 It is long established economic impact modelling principle, that money spent and retained in the local area has a significant multiplier effect as the spend circulates further through the local economy. General economic impact assessment modelling estimates that, for every £1 spent by, in this case, the council, there would be at least £3.00 of benefits delivered to North Lanarkshire as a whole by increasing output, increasing access to employment opportunities and improving health and social mobility, plus a series of other positive outcomes.

Evaluation of Quality criteria

- 2.58 The project objectives comprise a number of factors designed to contribute to the delivery of the Council's vision for the area and wider policy commitments. Cost, while an important factor, is not the only consideration.
- 2.59 Evaluation of the qualitative aspects of the Final Tender submission comprised the scoring of each of the qualitative award criteria using the agreed marking scheme, all 27 award criteria were scored at the final tender stage.

- 2.60 The evaluation determined that the Final Tender submission met all 27 of the council's qualitative award criteria, most by a comfortable margin, Table 1 provides further detail.

Table 1

| Possible scores | Number of award criteria | Percentage of award criteria |
|--|--------------------------|------------------------------|
| Score of 100 (max possible score) | 4 | 15% |
| Score of 75 | 17 | 63% |
| Score of 50 (min scoring threshold required) | 6 | 22% |
| Score of 25 | Nil | Nil |
| Score of zero (min possible score) | Nil | Nil |
| | | |
| Total | 27 | 100% |

- 2.61 The evaluation of the qualitative criteria was conducted in accordance with the methodology set out in the procurement documents. The outcome of the qualitative evaluation is shown in Table 2.

Table 2

| Level 1 Criteria | Bidder Weighted Quality Score (max 60%) |
|------------------|---|
| Quality | 42.35% |

- 2.62 Appendix 8 provides further detail of the outcome of the evaluation of the qualitative criteria.

Most Economically Advantageous Tender

- 2.63 The total scores for Price and Quality were combined to provide the overall outcome of the evaluation of the Final Tender submission (the identification of the Most Economically Advantageous Tender). Table 3 provides the final overall outcome of the procurement.

Table 3

| Bidder | Quality score (max 60%) | Price score (max 40%) | Overall score | Overall rank |
|---------------|-------------------------|-----------------------|---------------|--------------|
| Mears Limited | 42.35% | 40.00% | 82.35% | 1 |

- 2.64 As identified in Table 3, the Bidder who has submitted the most economically advantageous Final Tender is Mears Limited (the 'Preferred Bidder') and is therefore recommended for contract award.

- 2.65 A summary of the procurement process is provided as Appendix 1 and the SME status and location of Bidders as Appendix 2.

Comparison of the position at Initial Tender stage with the Final Tender stage

- 2.66 The report to the meeting of the council on 17 August 2023 indicated that improvements/refinements to the Initial Tender submission could reasonably be expected as the procurement progressed through the Negotiation stage to the final tender stage.
- 2.67 The anticipated improvement opportunities and other matters discussed and agreed during the Negotiation stage were confirmed in the Preferred Bidder's Final Tender submission, the key outcomes are set out in Table 4.

Table 4

| | Description | Initial Tender submission | Final Tender submission |
|----|--|---------------------------|-------------------------|
| a. | Cost implications – estimated percentage variation when compared with current costs (the 'Should Cost Model' para 2.86 (c)). | plus 9.31% | plus 4.96% |
| b. | Extent to which the council's qualitative criteria are met (27 criteria) | 19 of 26* | all 27 |
| c. | Terms and conditions of contract | not yet agreed | agreed |
| d. | Mobilisation costs | £992,000 | £992,000 |

*The Legal qualitative criterion was not assessed at the Initial Tender stage.

Price Stability

- 2.68 The Preferred Bidder's tendered prices and percentages will remain fixed during the tender validity period, thereafter, adjusted in line with good industry practice by the application of the Building Cost Information Service (BCIS) General Building Cost Index.
- 2.69 The first price adjustment will be made on the contract commencement date and annually thereafter throughout the contract term.

Supply chain opportunities

- 2.70 The proposed contract will provide subcontract opportunities for local and regional organisations as not all the services to be provided under the proposed contract will be delivered directly by the contractor.
- 2.71 For Core Services, around 30% (by value) of the services will initially be delivered through a supply chain, established and managed by the Preferred Bidder. Where the contractor secures Core Projects, the proportion of the services that will initially be delivered through a supply chain, established and managed by the Preferred Bidder is around 80% (by value).

Social Value

- 2.72 Delivering social value at scale to benefit the local area was a key objective of the procurement. The community benefits approach was designed to deliver targeted benefits specific to the market and deliver outcomes such as:

- creating pathways into employment, training and apprenticeship opportunities for residents and priority groups;
- supporting and creating significant and meaningful education initiatives to maximise opportunities for children and young people to realise their full potential;
- addressing skills shortages and improve the skills of local people for in-demand roles including digital skills;
- ensuring there are significant opportunities within the supply chain for local businesses, the third sector, and supported businesses; and
- engaging and listening to residents, communities, and businesses to maximise participation, capacity, and empowerment to ensure that the contract is making a real difference and delivering a positive impact across all communities.

2.73 To illustrate the positive step change that the proposed contract will secure, the Preferred Bidder's social value commitments, which will be contractualised, include:

- creation of new jobs over the first three years of the contract, recruitment where possible from the local area;
- commitment to provide a significant craft and modern apprenticeship programme;
- scope for additional apprenticeships dependent on the extent to which the contractor secures Core Projects;
- commitment to work placements over the duration of the contract, working with local schools, colleges and employability programmes and engaging with NL Education Future Friday strategy to offer placements;
- continued commitment to employing locally;
- continue to contract with voluntary, community and social enterprises through its supply chain;
- financial commitment to an innovation fund;
- financial commitment to integrate the new services into their IT systems and interfaces with the council's client management system;
- continued commitment to a head office and operational depots in North Lanarkshire with upgraded accommodation;
- commitment to diversifying its workforce through initiatives such as "Tradeswomen into Maintenance", and the "Armed Forces Covenant";
- commitment to employee volunteering for local charities or community projects; and
- offer knowledge and experience of developing training colleges to help the council realise its ambition of creating its construction skills academy.

The full list of the social value commitments contained in the Preferred Bidder's Final Tender submission is provided as Appendix 9.

Contractual Benefits

2.74 The proposed contract is markedly different from the current contract. The proposed contract and associated business change will secure a range of improvements and benefits when compared with the current contract and business practices including:

- all housing maintenance and repair services and potentially investment projects/programmes from one contractor either directly or via supply chain arrangements established and managed by the contractor;
- updated Schedule of Rates and supporting specifications;
- removal of redundant Schedule of Rates;
- continuity of essential service provision;

- a large contract which adopts partnering principles that is aligned to deliver service improvement and increased value for money with appropriate risk/reward mechanisms in place;
- granular visibility over individual cost components;
- further development of digitisation to support service delivery and reporting;
- designed to provide local and regional expertise by attracting and keeping SMEs;
- built in legal protections: contractual terms based on public sector model conditions (with appropriate adjustments) designed to protect public sector buyers;
- investment projects/programmes adopting standard industry terms: various SBCC forms of contract;
- supports council key policy themes such as: social value, sustainability, fair work practices and prompt payment;
- an environmental impact reduction plan to capture and monitor the contractor's commitments to emission reductions over the contract term (aligned to Scottish Government climate reduction measurement and the council's net zero priorities to 2030 and beyond);
- enhanced approach to performance monitoring through the use of strategic and operational Key Performance Indicators (KPI's), including the introduction of a Service Credit Model with financial deductions for failure to meet KPI's;
- an internal client team that is more effective and focused on meeting key objectives, through performance monitoring, forward planning, contract management and improvement initiatives, rather than handling day to day operational issues;
- a fully integrated internal client team that has access to good quality data in which to shape joined up strategies for asset management and meeting the needs of service users;
- a re-organised internal client team with the capacity, capability and experience to manage and deliver against objectives that link with the contract;
- flexibility in service to continuously evolve to reflect changes in financial and other circumstances; and
- to drive continuous improvement and seek opportunities to promote ongoing integration with other teams and initiatives within the wider council.

Full details of the benefits and improvements that the proposed contract will deliver, were provided in the report to the meeting of the Council on 17 August 2023, for convenience, this information is reproduced as Appendix 10.

Fair Work First Practices

- 2.75 The council is committed to the delivery of high-quality public services and recognises that this is dependent on a workforce that is well rewarded, well-motivated, well-led, has access to appropriate opportunities for training and skills development, is diverse and is engaged in decision making.
- 2.76 Within the procurement documentation, the Bidder was asked a question on their approach to Fair Work First and payment of the real Living Wage to their workforce. This question was in accordance with the applicable Scottish Government guidance on "Fair Work First in Scottish Procurement", the Scottish Government's policy for driving high quality and fair work across the labour market in Scotland.
- 2.77 The Preferred Bidder has committed to adopt the principles of Fair Work First, by applying Fair Work criteria to its directly employed workforce and through its tender processes with its supply chain. It is committed to Mears Scottish Responsible

Business Charter and will encourage its supply chain to make similar commitments. The charter includes the following:

- paying the Scottish Living Wage, and include fair work principles in its operations;
- having resident and tenant representation as part of its scrutiny arrangements and service design;
- improving the Environmental, Social, Governance and economic wellbeing of the area in which Mears operates;
- paying small businesses on time;
- making it simple, straightforward and easy for local SMEs, social enterprises and supported businesses to access supply chains opportunities;
- making firm and achievable commitments to support Scotland's target of Net-zero emissions by 2045;
- having a social responsibility to pass on skills to local communities;
- being transparent in its financial and business reporting;
- working harder to address equality and diversity and submitting to an independent audit of all policies and procedures to enable fair access for all; and
- having a balanced governance board.

Contract Management

- 2.78 It is recognised that a positive stepped change in the council's approach to contract management will be required in line with good industry practice to ensure that the proposed contract is managed effectively.
- 2.79 The foundations for the required improvement in the management of the proposed contract were laid in the pre-procurement development of performance measures and standards, monitoring and reporting provisions, contractual protections and remedies, these then integrated in the procurement process and embedded in the contract drafting.
- 2.80 The enabling provisions in the proposed contract need to be implemented as part of the transition arrangements to ensure, that in operation, the new contract is managed effectively, the benefits are secured, risks managed and the opportunities for continuous improvement maximised.
- 2.81 The essential elements for effective contract management will be in place for contract commencement, with the more advanced approaches developed and introduced, as a priority, on a phased basis thereafter. The approach will involve multiple layers of governance to provide essential scrutiny and oversight and set out clear roles and responsibilities for contract management and contract development activity.
- 2.82 Housing Property Services, as the 'contract owner' will be responsible for the development and introduction of the improved contract management approach and implementation timeline.
- 2.83 Elected members will receive regular reports on contract and contractor performance through an enhanced suite of strategic and operational performance indicators at the relevant committee.

Best Value

2.84 Recognising the absence of competitive tension in a 'single Bidder scenario', the report to the Policy and Strategy Committee in December 2022 set out a number of measures that have been incorporated in the procurement, tender evaluation and the management of the proposed contract to mitigate risks associated with the 'single Bidder scenario'.

2.85 Collectively, these measures were designed to provide comparator(s) to the Bidder's Initial and Final Tender submissions to ensure that the council could:

- best understand the future cost of providing Core Services (affordability); and
- evidence achievement of Best Value in a 'single bidder scenario'.

2.86 The mitigations, the actions taken and the outcomes, are set out in paras 2.86(a-f):

a) Identify external benchmarks to validate costs;

Desktop research was undertaken, to identify suitable benchmarks commensurate with the scope, scale, geography and specification of the services included in the proposed contract.

Given the uniqueness of the project and the 'whole service' nature of the contract requirement no 'like for like' comparable reference points were identified.

A number of potential benchmarking reference points for subsets of the 'whole service', mostly at a very granular level were identified, however there was a low degree of confidence in the basis of comparison for these, and the reliance that could be put on the outcome of analysis.

Notwithstanding the lack of confidence in the basis of comparison, the identified benchmarking reference points were analysed. Not unexpectedly, the outcome of the analysis was mixed, some benchmark reference points compared favourably, others did not. The outcome of the benchmarking exercise was therefore inconclusive and does not provide reliable insight as to the overall determination of Best Value.

Appendix 11 provides further details of the benchmarking exercise.

b) Expect the Bidder to demonstrate value by using transparent pricing and other mechanisms ('open book');

The Bidder's commitment to transparent pricing and other mechanisms ('open book') was confirmed in its Final Tender submission for Core Services and for those in-scope items which could not be costed at the procurement stage e.g. narrative orders, Core Projects.

The pricing model in the council's existing contracts only provide an overall total price for each Schedule of Rates item. The tender pricing model for the proposed contract was structured to include a breakdown of each Schedule of Rates into its component parts (labour, materials, plant, management fee and profit) to improve transparency of pricing.

c) Develop a 'Should Cost' model:

A Should Cost Model was developed to represent what the council would expect to pay for the proposed contract and to allow comparison with the cost of the current contracts. The Should Cost Model, aligned with good industry practice, used a number of existing sources of information including the schedule of rates costs of current contracts for the in-scope services. Adjustments were made to the model to reflect the different pricing approaches included in the proposed contract (e.g. fixed cost per property), anticipated changes in rates based on market intelligence and adjustments for inflation.

The Should Cost Model also included an estimated future demand frequency for each schedule of rates item to represent a typical year's work for the services using historical information from existing contracts, and where appropriate, adjusted for anticipated changes in future demand.

The Should Cost Model allowed a comparison to be made with the financial elements of the Bidder's Initial and Final Tender submissions to identify the extent of any variation between the prices and rates in these submissions when compared with the Should Cost Model.

Further adjustments were then made to the Should Cost Model to take account of any aspects in the Bidder's Initial and Final Tender submissions which were different to those present in the current arrangements, e.g. the extent of the social value offer, volume discount, efficiency savings, these adjustments intended to allow the best 'like for like' comparison between the Should Cost Model and the financial elements of Bidder's Initial and Final Tender submissions.

As the scope and the requirements of the proposed contract differ from the current arrangements it is not possible to compare all costs on the same basis, however around 80%, by value, are comparable.

The comparison between the Should Cost Model and the financial elements of the Bidder's Initial and Final Tender submissions is the means by which the percentage increase in the cost of Core Services under the proposed contract, detailed at paras 2.37 and 2.49 was calculated.

Given that the construct of the Should Cost Model is derived from reliable data sources, the high match rate that it provides with current costs, and the absence of a meaningful output from the external benchmarking exercise, the Should Cost Model was assessed as being the primary and most reliable means to understand the financial implications of the proposed contract.

The Should Cost Model allows the council to best understand the future cost of providing Core Services (affordability).

d) to reduce the scope of work which is granted on an exclusive basis:

Under the proposed contract, the contractor will not have an exclusive right to deliver Core Projects. The contractor will only be awarded this work if the council is satisfied that the contractor's offer for Core Projects, on a case-by-case basis, represents Best Value and otherwise meets the council's requirements, see paras 2.11 to 2.15.

Under the proposed contract, the contractor shall have an exclusive right and obligation to provide the Core Services. However, the exclusivity arrangements may be partially or fully withdrawn if the contractor's performance is poor, based on agreed targets for performance and continuous improvement.

- e) to increase the requirement for the Bidder to demonstrate value for money over the contract term for non-exclusive work; and

In addition to the provisions described in paras 2.86(b) and 2.86(d) the contractor is contractually obliged to provide an annual report to the council, part of which requires the contractor to demonstrate that Best Value has been achieved in the delivery of the in-scope services.

Contract provisions set out the requirements for future benchmarking and market testing.

- f) prescribe the procurement policy terms for advertising, quotations, and subcontracting.

Contract provisions set out the requirements in relation to sub-contracting, advertising, quotations for non-exclusive works, elements of narrative orders and general requirement for a fair and transparent procurement process.

Best Value conclusion

- 2.87 The contract has been assessed on the basis of the Most Economically Advantageous Tender (MEAT) with price having 40% of the total score. The price / quality ratio was determined by reference to Scottish Government procurement journey guidance where the contract was classified as a "strategic" contract. The Preferred Bidders achievement of a 42.35% quality score, see para 2.61, also supports the positive assessment of Best Value.
- 2.88 The council is under a general duty of Best Value to "*make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.*" In addition, Audit Scotland has updated its approach to Best Value in October 2023 which will be reflected in its future audits of the Council – "*it is about ensuring that there is good governance and effective management of resources, with a focus on improvement, to deliver the best possible outcomes for the public*".
- 2.89 The collective outcome of the actions set out in paras 2.86(a–f), together with;
- consideration of the financial implications detailed at paras 2.49 to 2.52;
 - the contractor's quality submission, set out at para 2.61;
 - the contractors social value commitments, set out at para 2.72;
 - the benefits that the proposed contract, properly managed, will provide at para 2.74;
 - the provisions in the proposed contract to drive continuous improvement; and
 - the wider economic benefits, the 'multiplier impact', for the local area, set out at para 2.57.

has led us to conclude that the award of the proposed contract represents Best Value.

- 2.90 The assessment of Best Value is expected to continue throughout the contract term. The contract has been set up with sufficient flexibility to drive long term continuous improvement with contractual provisions for collaboration, meeting community needs

through social value delivery, transparency, benchmarking, innovation, and efficiency in directly delivered and subcontracted services embedded in the terms of the proposed contract.

Next steps

- 2.91 Subject to approval of the recommendations in this report, the council will complete the necessary documentation to allow the immediate award of the contract to the Preferred Bidder.
- 2.92 For a contract award of this nature and value the observation of 10-day standstill period would normally be required under the Regulations, however as there is only a single bidder, the council is not required to observe a standstill period.
- 2.93 Award of the contract will allow the commencement of a short mobilisation period. A mobilisation plan has been developed with the Chief Officer Housing and Property Services overseeing delivery of the plan. The mobilisation period will consist of activities such as preparation for delivering gas servicing within the new contract; integration of business systems; agreement of first year statutory compliance and planned preventative maintenance plan; year one service delivery plan; developing additional performance reporting; stakeholder communications and engagement plan; and process and procedure implementation.
- 2.94 The mobilisation plan will allow the agreed 'day one' services to commence on 1 July 2024 (targeted), with the remaining services commencing thereafter on a phased basis in accordance with the agreed service transition plan.

Risks and practical considerations

- 2.95 Members will recall that the report to the meeting of the Council on 17 August 2023 detailed the outcome of the 'options revalidation exercise' and importantly the comparative associated risks and practical considerations of the two top scoring service delivery options identified from the revalidation exercise:
- proceeding with the award of the proposed contract (the highest scoring option); and
 - the creation of a council owned ALEO with elements of insource and outsource delivery.
- 2.96 The August 2023 report comprehensively set out the comparative associated risks and practical considerations of both options, these included;
- gaps in service provision (some of which are legislative in nature);
 - mobilisation and transition;
 - operational management;
 - supporting technology and operational applications;
 - assets and equipment;
 - procurement;
 - pension arrangements and costs;
 - staffing, recruitment and retention;
 - salaries, employment terms and benefits; and
 - internal management/governance arrangements.

- 2.97 The August 2023 report concluded that whilst there are risks associated with both delivery options, the ALEO option has a number of significant additional unknowns and comparatively greater risk in terms of transition and delivery costs and in potential risk to continuity of service delivery.
- 2.98 The Council agreed that following the outcome of the options revalidation exercise, along with the practical considerations and associated risks, “continuing with the current procurement exercise”, was the delivery option that would best meet the project objectives.
- 2.99 The risks set out in the August 2023 report remain present and should be given due weighting in considering the recommendation to award the proposed contract.

3. Measures of success

- 3.1 The measures of success remain as previously reported to the Committee on 19 March 2020, namely that the Enterprise Project will help the council to:
- shape North Lanarkshire;
 - enhance our economy;
 - regenerate our communities;
 - provide cohesive maintenance and repairs;
 - focus on whole life investment;
 - achieve more efficient and effective delivery;
 - move towards more sustainable and carbon neutral communities; and
 - provide access to additional resources.
- 3.2 The delivery model will continue to support twenty of the twenty five ambition statements, being a key driver for nine of these ambition statements (2, 3, 5, 6, 17, 21, 22, 24, 25) and contributing to eleven other ambition statements (1, 4, 10, 11, 12, 14, 15, 16, 18, 19, 23) and will be a catalyst for the successful delivery of the Plan for North Lanarkshire and its key priorities.
-

4. Supporting documentation

Appendix 1 – Summary of procurement process

Appendix 2 – SME status and location of Tenderer(s)

Appendix 3 – Scope of services

Appendix 4 – List of new services / current contractors

Appendix 5 – Selection stage outcome

Appendix 6 – Award criteria

Appendix 7 – Initial Tender outcome

Appendix 8 – Final Tender outcome - qualitative criteria

Appendix 9 – Social value commitments

Appendix 10 – Contractual benefits

Appendix 11 – Benchmarking

Appendix 12 – External advisors fees

A handwritten signature in black ink that reads "James McKinstry". The signature is fluid and cursive, with a long horizontal stroke at the end.

James McKinstry
Chief Officer – Assets and Procurement

A handwritten signature in black ink that reads "Brian Lafferty". The signature is cursive and somewhat stylized.

Brian Lafferty
Chief Officer – Housing Property Services

A handwritten signature in black ink that reads "Stephen Llewellyn". The signature is cursive and features a prominent loop at the end.

Stephen Llewellyn
Chief Officer – Housing Management

5. Impacts

5.1 Public Sector Equality Duty and Fairer Scotland Duty

Does the report contain information that has an impact as a result of the Public Sector Equality Duty and/or Fairer Scotland Duty?

Yes ☒ No ☐

If Yes, please provide a brief summary of the impact?

The Enterprise Project aims to create, through the council's strategic contractual relationships with contractors, social value at scale for local communities. This will help the council to meet the requirements of the Fairer Scotland Duty to reduce socio disadvantage.

Socio economic impact is at the heart of the Enterprise Project and related contracts. The Enterprise Project will deliver a range of socio-economic benefits for the local community at a scale that cannot be achieved from current procurement and contract management practices. Targeted social value benefits will include;

- Employment Education & Skills - generate employment and training opportunities for school leavers, apprentices and unemployed people;
- Supply Chain Development & Opportunities - use small and medium sized enterprises (preferably local). Social enterprise or a supported business in supply chain;
- Community Engagement & Capacity Building – to benefit local communities;
- Environment - implement carbon reduction and sustainability initiatives; and
- Innovation - introduce innovation in delivery of services (e.g., digital tools, automation, working practices).

A single co-ordinated framework for delivering, measuring, and reporting socio economic impact across all Enterprise Project related contracts will be developed and implemented, this framework will be scalable for use across the wider organisation.

The council incorporates the statutory guidance on addressing 'Fair Work Practices' including payment of the Living Wage in all significant procurements

If Yes, has an assessment been carried out and published on the council's website? <https://www.northlanarkshire.gov.uk/your-community/equalities/equality-and-fairer-scotland-duty-impact-assessments>

Yes ☒ No ☐

5.2 Financial impact

Does the report contain any financial impacts?

Yes ☒ No ☐

If Yes, have all relevant financial impacts been discussed and agreed with Finance?

Yes ☒ No ☐

If Yes, please provide a brief summary of the impact?

Finance has been engaged with the Enterprise Project since its inception and is represented on the Project Board and the supporting professional advisors group.

The financial implications are set out at paras 2.49 to 2.52 of this report.

Contract expenditure will be managed from current General Fund and Housing Revenue Account budgets for repairs, maintenance and, where relevant, capital expenditure. Future costs will be incorporated into medium term financial planning processes considering contract inflation and thereafter considered as part of the Council's normal budget setting processes.

Given the potential scale, complexity and importance of this project in helping to realise the ambitions for North Lanarkshire, the Policy and Strategy Committee meeting in February 2019 agreed that to supplement inhouse capacity and capability, the procurement of appropriate specialist advice to support the procurement exercise be authorised.

External advisors' fees, for all aspects of Enterprise Project (including the linked predecessor project, the Enterprise Strategic Commercial Partnership) total £4.089m (as of Feb 2024). The external advisors' fees equate to 0.18% of the combined total upper estimated contract value of the two phase one Enterprise Project procurements. Professional advisors' fees typically equate to around 10% of the total cost of a project.

Advisors' fees paid remain within estimates, fees have been incurred in accordance with internal procedures including committee approval/noting of contract awards.

Appendix 12 provides further details of external advisors' fees.

External advisors are managed by the Project Team, with regular reports provided to the Project Board.

5.3 HR policy impact

Does the report contain any HR policy or procedure impacts?

Yes ☒ No ☐

If Yes, have all relevant HR impacts been discussed and agreed with People Resources?

Yes ☒ No ☐

If Yes, please provide a brief summary of the impact?

People Resources has been engaged with the Enterprise Project since its inception to ensure any and all HR considerations are addressed.

HR is represented on the Project Board and the supporting professional advisors' group.

5.4 Legal impact

Does the report contain any legal impacts (such as general legal matters, statutory considerations (including employment law considerations), or new legislation)?

Yes ☒ No ☐

If Yes, have all relevant legal impacts been discussed and agreed with Legal and Democratic?

Yes ☒ No ☐

If Yes, please provide a brief summary of the impact?

The Legal and Democratic service has been fully involved with the Enterprise Project since its inception and has sought advice from external legal advisors to ensure the council manages legal risks effectively.

Legal and Democratic is represented on the Project Board and the supporting professional advisors' group.

Legal advice has been and will continue to be sought to ensure compliance with applicable legislation and to ensure the council manages legal risks effectively.

5.5 Data protection impact

Does the report / project / practice contain or involve the processing of personal data?

Yes ☒ No ☐

If Yes, is the processing of this personal data likely to result in a high risk to the data subject?

Yes ☐ No ☒

If Yes, has a Data Protection Impact Assessment (DPIA) been carried out and e-mailed to dataprotection@northlan.gov.uk

Yes ☐ No ☒

5.6 Technology / Digital impact

Does the report contain information that has an impact on either technology, digital transformation, service redesign / business change processes, data management, or connectivity / broadband / Wi-Fi?

Yes ☒ No ☐

If Yes, please provide a brief summary of the impact?

The project includes securing efficiencies through further digitising aspects of information exchange and ways of working.

Where the impact identifies a requirement for significant technology change, has an assessment been carried out (or is scheduled to be carried out) by the Enterprise Architecture Governance Group (EAGG)?

Yes ☒ No ☐

5.7 Environmental / Carbon impact

Does the report / project / practice contain information that has an impact on any environmental or carbon matters?

Yes ☒ No ☐

If Yes, please provide a brief summary of the impact?

The Enterprise Project aims to develop an innovative new approach to delivery for a full range of interconnected property, community asset and infrastructure investments. As such, will help the council to create more attractive town centres, address areas of poor quality in the built environment, and encourage town centre living through greening and improved community assets. Added to this, the reshaping of North Lanarkshire's town centres will aim to incorporate more energy efficient housing and infrastructure and promote active travel and the use of public transport via the development of transport hubs / interchanges, to support future council targets for net zero emissions.

5.8 Communications impact

Does the report contain any information that has an impact on the council's communications activities?

Yes ☒ No ☐

If Yes, please provide a brief summary of the impact?

| |
|--|
| <p>Regular updates relating to the Enterprise Project have been provided in line with the agreed project communication plan, this will continue as the project progresses, through contract award, contract mobilisation and ongoing contract management phases.</p> |
| <p>5.9 Risk impact Is there a risk impact? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the key risks and potential impacts, highlighting where the risk(s) are assessed and recorded (e.g. Corporate or Service or Project Risk Registers), and how they are managed? Associated risks for the Enterprise Project are identified and managed in accordance with the agreed corporate project risk management methodology and monitored and reported via the Project Team and/or Project Board with risk escalation as required.</p> |
| <p>5.10 Armed Forces Covenant Duty Does the report require to take due regard of the Armed Forces Covenant Duty (i.e. does it relate to healthcare, housing, or education services for in-Service or ex-Service personnel, or their families, or widow(er)s)? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the provision which has been made to ensure there has been appropriate consideration of the particular needs of the Armed Forces community to make sure that they do not face disadvantage compared to other citizens in the provision of public services. The Preferred Bidder has made a commitment to diversifying its workforce through initiatives such as “Tradeswomen into Maintenance”, and the “Armed Forces Covenant”.</p> |
| <p>5.11 Children’s rights and wellbeing impact Does the report contain any information regarding any council activity, service delivery, policy, or plan that has an impact on children and young people up to the age of 18, or on a specific group of these? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the impact and the provision that has been made to ensure there has been appropriate consideration of the relevant Articles from the United Nations Convention on the Rights of the Child (UNCRC). If Yes, has a Children’s Rights and Wellbeing Impact Assessment (CRWIA) been carried out? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> |

Appendix 1 – Summary of procurement process

| | |
|--|--|
| CPT contract reference allocated: | NLC-SLP-22-003 |
| Procurement procedure utilised: | Competitive Procedure with Negotiation |
| Governing legislation / regulations: | Public Contracts (Scotland) Regulations 2015 |
| Date contract strategy approved: | 20 June 2022 |
| Date contract notice published: | 21 June 2022 |
| Tender platform utilised: | PCS-Tender (PCST) |
| Total expressions of interest received: | 22 |
| NLC based expressions of interest: | 6 |
| Selection Stage Submission return deadline: | 12 August 2022 |
| Number of Selection Stage Submissions received: | 1 |
| Selection Stage Submission's from SME's: | Nil |
| Selection Stage Submission's from NLC based Candidates: | 1 |
| Selection Stage Submission's from supported businesses: | Nil |
| Number of non-compliant Selection Stage Submission's: | Nil |
| Number of compliant Selection Stage Submission's: | 1 |
| Number of Candidates invited to Negotiation Stage: | 1 |
| Negotiation Stage commencement date: | 05 September 2023 |
| Negotiation Stage conclusion date: | 30 October 2023 |
| Final Tender Stage publication date: | 30 October 2023 |
| Final Tender Stage return deadline: | 20 November 2023 |
| Number of Tenders received: | 1 |

| | | | | |
|---|--|-----|---------------|-----|
| Tenders from SME's: | Nil | | | |
| Tenders from NLC based tenderers: | 1 (Operational headquarters and depots) | | | |
| Tenders from supported businesses: | Nil | | | |
| Number of non-compliant tenders: | Nil | | | |
| Number of compliant tenders: | 1 | | | |
| Number of recommended tenderers: | 1 | | | |
| Basis of Award: | Quality: | 60% | Price: | 40% |
| Evaluation Team: | Combination of Council Officers across Enterprise & Communities. | | | |
| Anticipated Start Date of the Agreement: | 01 July 2024 | | | |
| Total Agreement Period (Months): | 144 (includes available extension options) | | | |
| Awarded Value of the Agreement: | Up to £1.8bn | | | |

Appendix 2 – SME status and location of Bidders

| Name of Bidder | Size of Bidding Organisation (Micro, Small, Medium or Large) | Location of Bidder (Local Authority / Council Area) |
|----------------|---|--|
| Mears Ltd | Large | North Lanarkshire (Operational headquarters and depots) |

Appendix 3 - Housing & Corporate Maintenance & Investment Services - Scope

| Housing & Corporate: Summary Table | | | | | | | | | |
|------------------------------------|---|---------|---|---|---|-----------|---|---|---|
| Category Reference | Level 1 Category | Housing | | | | Corporate | | | |
| | | A | B | C | D | A | B | C | D |
| 1 | Adaptation Trades | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 2 | Bathroom Replacements | | | ✓ | ✓ | | | | |
| 3 | Brickwork | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 4 | Car Park Access Control Equipment | | | | | ✓ | ✓ | | ✓ |
| 5 | Carpentry and Joinery | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 6 | CCTV | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 7 | Cleaning and Clearance | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 8 | Communal Boilers | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 9 | Communal TV Aerial and Satellite Systems | ✓ | ✓ | | ✓ | | | | |
| 10 | Controlled Door Entry | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 11 | Disabled Adaptations and Minor Works | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 12 | Drainage | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 13 | Electrical | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 14 | Electrical Work | | | ✓ | ✓ | | | ✓ | ✓ |
| 15 | Energy Efficiency Appliances and Components | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 16 | Excluded Works | | | | | | | | |
| 17 | Fencing and Gates | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 18 | Fire Safety Works | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |

| | | | | | | | | | |
|----|---|---|---|---|---|---|---|---|---|
| 19 | Fire Stopping | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 20 | Foundations | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 21 | Glazing | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 22 | Groundworks | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 23 | Heating | | | ✓ | ✓ | | | ✓ | ✓ |
| 24 | Heating, Gas Appliances and Installations | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 25 | Homelessness & Temporary Accommodation Services | ✓ | ✓ | | ✓ | | | | |
| 26 | Intruder Alarms | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 27 | Kitchen Replacements | | | ✓ | ✓ | | | | |
| 28 | Lead Pipe | | | ✓ | ✓ | | | | |
| 29 | Lift Installations | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 30 | Lightning Conductors | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 31 | Major Repairs | | | ✓ | ✓ | | | ✓ | ✓ |
| 32 | Masonry | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 33 | Mechanical Services | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 34 | Miscellaneous Communal M&E | | | | | ✓ | ✓ | | ✓ |
| 35 | Painting and Decorating | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 36 | Plasterwork and Other Finishes | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 37 | Plumbing | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 38 | Roller Shutter Installations | | | | | ✓ | ✓ | | ✓ |
| 39 | Roofing | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 40 | Specialist Services | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 41 | Specialist Treatments | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 42 | Structural Repairs | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 43 | Swimming Pool Maintenance | | | | | ✓ | ✓ | | ✓ |
| 44 | Tower Services | ✓ | ✓ | | ✓ | | | | |
| 45 | Tower Strategy | | | ✓ | ✓ | | | | |
| 46 | Ventilation Installations | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 47 | Voids | ✓ | ✓ | | ✓ | | | | |

| | | | | | | | | | |
|----|---|---|---|---|---|---|---|---|---|
| 48 | Wall and Floor Tile and Sheet Finishes | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 49 | Warden and Other Alarm Call Installations | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| 50 | Windows & Doors Replacements | | | ✓ | ✓ | | | ✓ | ✓ |

| Key | Activity |
|-----|----------------------------------|
| A | Reactive Maintenance |
| B | Servicing & Inspections |
| C | Investment Projects & Programmes |
| D | Other Related Work |

Appendix 4 – New services

Core Services

| Service Description | Estimated Annual Value | Bidder's Indicative Delivery Method |
|---|------------------------|-------------------------------------|
| Strategic Partnership Contract: Housing & Non-Housing Property Maintenance | £35,000,000 | Self-deliver majority of works |
| Strategic Partnership Contract: Central Heating Maintenance | £11,000,000 | Subcontract |
| UPVC Door and Window Repairs and Maintenance | £1,875,000 | Self-deliver |
| Bitmac Repairs | £1,675,000 | Subcontract |
| Floor Coverings | £1,075,000 | Subcontract |
| Water Quality Testing and Lead Mains Replacement | £950,000 | Subcontract |
| Asbestos Removal & Encapsulation Services for Domestic & Non-Domestic Property | £775,000 | Subcontract |
| CCTV / Intruder Alarms / Access Control Systems, Service and Maintenance | £550,000 | Subcontract |
| Biomass Heating System Services and Supplies | £350,000 | Subcontract |
| Controlled Door Entry Systems and Associated Works – Repairs and Servicing | £350,000 | Subcontract/Self-deliver |
| Metal Doors and Blacksmith Works: Service and Maintenance | £325,000 | Subcontract/Self-Deliver |
| Asbestos Surveying to Domestic and Asbestos Air Monitoring, Sampling and Surveying to Non-Domestic Properties | £300,000 | Subcontract |
| Repairs to TV Aerials | £180,000 | Subcontract |

| | | |
|--|----------|-------------|
| Water Quality Control (Corporate Property) | £150,000 | Subcontract |
| Air Conditioning Systems, Service, Maintenance, Repairs & Installations | £115,000 | Subcontract |
| Warden Calls at Sheltered Housing Complexes | £100,000 | Subcontract |
| Asbestos Air Monitoring, Sampling and Analysis to Domestic Properties | £95,000 | Subcontract |
| Building Energy Management System (BEMS) Servicing & Maintenance | £90,000 | Subcontract |
| Water Quality Control (Risk Assessment, Monitoring Regime and Associated Remedial Works) | £85,000 | Subcontract |
| Electric Storage/Fan Convector Heaters - Servicing, Maintenance, Repairs and Replacement | £70,000 | Subcontract |
| Swimming Pool Plant Inspection & Maintenance | £44,000 | Subcontract |
| Fire Alarm, Smoke Alarm and Protection Systems Servicing and Maintenance | £43,750 | Subcontract |
| Combined Heat and Power plant - Ravenscraig | £25,000 | Subcontract |
| Combined Heat and Power Unit - Time Capsule | £25,000 | Subcontract |
| Ice Rink - Time Capsule Repairs and Maintenance | £25,000 | Subcontract |
| Temporary Heating & Portable Air Conditioning Appliances & Dehumidifiers | £25,000 | Subcontract |
| Dehumidification Unit at Time Capsule - Repairs and Maintenance | £15,000 | Subcontract |
| ETFE Roofing System Inspection, Cleaning, Maintenance and Repairs | £15,000 | Subcontract |

| | | |
|--|---------|-------------|
| High Level Masonry: Inspection & Repairs | £15,000 | Subcontract |
| Instantaneous Hot Water Boilers Repairs and Maintenance | £15,000 | Subcontract |
| Lightning Conductors: Inspection, Testing & Maintenance | £15,000 | Subcontract |
| Roof Anchors, Structural Anchorage & Safety Lines Systems: Inspection, Testing & Maintenance | £15,000 | Subcontract |
| Sound Equipment - Various - Repairs and Maintenance | £12,500 | Subcontract |
| Sprinkler Servicing | £12,500 | Subcontract |
| Smoke Control (Ravenscraig) | £10,000 | Subcontract |
| Public Clocks Maintenance | £8,000 | Subcontract |
| Gas Detection & Monitoring System; Inspection, Testing & Servicing | £5,500 | Subcontract |
| Bleacher Seating Servicing | £5,000 | Subcontract |
| Flume Servicing - various - Repairs and Maintenance | £5,000 | Subcontract |
| Pool Covers Repairs and Maintenance | £2,500 | Subcontract |
| Backup Generator - Broadwood | £1,500 | Subcontract |
| Chlorine Detection Service & Calibration | £1,500 | Subcontract |
| Emergency Escape Breathing Apparatus Maintenance | £1,500 | Subcontract |

| | | |
|---|--------|-------------|
| Repairs and Maintenance of Disability Pool Hoists | £1,500 | Subcontract |
|---|--------|-------------|

New Services – Core Projects

| Service Description | Estimated Annual Value | Bidder's Indicative Delivery Method |
|--|-------------------------------|--|
| Re-Roofing, Re-Rendering and Insulation Works | £12,000,000 | Subcontract |
| Windows & Doors Replacement | £10,000,000 | Subcontract / Self-deliver |
| Gas Heating System Replacements | £6,000,000 | Subcontract |
| Heating Systems (Gas, Renewable and Electric) - Full Replacement | £800,000 | Subcontract |
| Controlled Door Entry Systems and Associated Works Replacements | £500,000 | Subcontract / Self-deliver |

Appendix 5 – Selection stage outcome summary

| Stage | Criteria | MEARS Limited Result |
|-------|---|----------------------|
| 1G1 | Receipt and Collation of SPD Submissions | Pass |
| 2A1 | Compliance and Completeness Check | Pass |
| 2A2 | Information about the Bidder Check | Pass |
| 3B1 | Exclusion Grounds (Mandatory) | Pass |
| 3B2 | Exclusion Grounds (Discretionary) | Pass |
| 3B3 | Concluding Statement Check | Pass |
| 4C1 | Economic and Financial Standing (4B.4) | Pass |
| 4C2 | Economic and Financial Standing (4B.5.1, 5.2) | Pass |
| 4C3 | Economic and Financial Standing (4B.6) | Pass |
| 5D1 | 4D.1 and 4D.2 | Pass |
| 5D2 | 4C.2, 4C.4, 4C.7, 4C.8.1, 4C.8.2, 4C.9 | Pass |
| 5D3 | 4C.1.2 | 3.1 |
| 5D4 | Candidate Shortlisting Rank | 1 |
| | Shortlist | Yes |

Appendix 6 – Award criteria

| Level 1 Award Criteria | Level 1 Award Criteria Weighting | Level 2 Award Criteria | Level 2 Award Criteria Weighting |
|------------------------|----------------------------------|------------------------|----------------------------------|
| Quality | 60% | 1. Service Delivery | 50% |
| | | 2. Social Value | 30% |
| | | 3. Commercial | 10% |
| | | 4. Legal | 10% |
| Price | 40% | 1. Price | 100% |

| Level 2 Award Criteria | Level 2 Award Criteria Weighting | Level 3 Award Criteria | Level 3 Award Criteria Weighting |
|------------------------|----------------------------------|--|----------------------------------|
| 1. Service Delivery | 50% | 1.1 Contract Management | 10% |
| | | 1.2 Delivery approach and Methodology | 40% |
| | | 1.3 Staffing proposals (including fair work practices) | 10% |
| | | 1.4 Subcontracting / supply chain proposals | 10% |
| | | 1.5 Mobilisation Plan / Service Implementation Plan | 10% |
| | | 1.6 ICT Arrangements | 5% |
| | | 1.7 Management systems / service plans | 5% |
| | | 1.8 Service continuity proposals | 5% |
| | | 1.9 Exit plan proposals | 5% |
| 2. Social Value | 30% | 2.1 Employment, education and skills | 30% |
| | | 2.2 Supply Chain Development and opportunities | 15% |
| | | 2.3 Community Engagement and Capacity Building | 15% |
| | | 2.4 Environment | 30% |
| | | 2.5 Innovation | 10% |
| 3. Commercial | 10% | 3.1 Commercial | 100% |
| 4. Legal | 10% | 4.1 Legal | 100% |

| Level 4 Criteria | Level 4 "Question Weighting" |
|--|------------------------------------|
| 1.1 Please provide a Governance & Contract Management Plan detailing how you will support the governance & management of the Services. | 100% |
| 1.2a Please provide a Housing - Core Services - Reactive Maintenance Plan detailing how you will deliver these Services. | 20% |
| 1.2b Please provide a Corporate - Core Services - Reactive Maintenance Plan detailing how you will deliver these Services. | 20% |
| 1.2c Please provide a Housing - Core Services - Compliance, Servicing & Inspection (including Gas) Plan detailing how you will deliver these Services. | 20% |
| 1.2d Please provide a Corporate - Core Services - Compliance, Servicing & Inspections Plan detailing how you will deliver these Services. | 20% |
| 1.2e Please provide a Core Projects (Housing & Corporate) Plan detailing how you will deliver these Services. | 20% |
| 1.3a Please provide a Resources Plan (Part A) detailing how you will successfully resource & deliver the Services. | 60% |
| 1.3b Please provide a Resources Plan (Part B) detailing how you will successfully resource & deliver the Services where directly employed workers are used. | 40% |
| 1.4a Please provide a Supply Chain Plan detailing how you will fairly select, manage & pay Suppliers & Sub-Contractors. | 60% |
| 1.4b Please provide a Fair Work Plan detailing how you will comply with Fair Work First principles where subcontracted workers are used. | 40% |
| 1.5a Please provide a Mobilisation Plan detailing how you will mobilise the Services. | 50% |
| 1.5b Please provide a Core Services Service Implementation Plan detailing how you will transition services from existing contracts into the Contract. | 25% |
| 1.5c Please provide a Core Projects Service Implementation Plan detailing how you will transition services from existing contracts into the Agreement. | 25% |
| 1.6 Please provide a Technology Plan detailing how you will use IT & technology to robustly & reliably support the delivery of the Agreement. | 100% |
| 1.7a Please provide a Health & Safety Plan detailing your management arrangements for the health, safety & wellbeing of the workforce, client & service users. | 33.33% |
| 1.7b Please provide a Quality Management Systems Plan detailing your management systems for managing quality. | 33.33% |
| 1.7c Please provide an Environmental Management System Plan detailing your management systems for managing environmental impact. | 33.34% |
| 1.8 Please provide your Service Continuity Plan detailing how you will maintain continuity of service delivery. | 100% |

| | | |
|-----|---|------|
| | | |
| 1.9 | Please provide a Service Exit Plan detailing how you will manage the handover of services & supporting information to the Authority. | 100% |
| 2.1 | Please provide a Social Value Plan detailing how you will deliver specific & tangible Social Value measures & benefits that you will offer the Authority. | 100% |
| 2.2 | Please provide a Local Supply Chain Development Plan detailing how you will deliver support local supply chain participation in the Agreement. | 100% |
| 2.3 | Please provide a Local Community Engagement & Capacity Building Plan detailing how you will support local community engagement over the Term. | 100% |
| 2.4 | Please provide an Environmental Impact Reduction Plan detailing how you will reduce environmental impact over the Term. | 100% |
| 2.5 | Please provide an Innovation & Improvement Plan for delivery of innovation, new technologies & new methods of service delivery. | 100% |
| ○ | Please provide a Commercial Plan describing your commercial management approach to the Agreement. | 80% |
| ○ | Please provide a Pensions Plan describing your approach to pension arrangements for the Agreement. | 20% |
| 4.1 | Legal | 100% |

Appendix 7 - Initial Tender review outcome summary – qualitative criteria

| Reference | Summary | Agreed Consensus Score |
|-----------|--|---|
| 1.1 | Governance and Contract Management Plan | Meets the minimum requirement |
| 1.2a | Housing - Reactive Maintenance Plan | Meets the minimum requirement |
| 1.2b | Corporate - Reactive Maintenance Plan | Meets the minimum requirement |
| 1.2c | Housing - Compliance, Servicing & Inspections (including Gas) Plan | Does not yet meet the minimum requirement |
| 1.2d | Corporate - Compliance, Servicing & Inspections Plan | Does not yet meet the minimum requirement |
| 1.2e | Core Projects (Housing & Corporate) Plan | Meets the minimum requirement |
| 1.3a | Resources Plan (Part A) | Meets the minimum requirement |
| 1.3b | Resources Plan (Part B) | Meets the minimum requirement |
| 1.4a | Supply Chain Plan | Meets the minimum requirement |
| 1.4b | Fair Work Plan | Meets the minimum requirement |
| 1.5a | Mobilisation Plan | Meets the minimum requirement |
| 1.5b | Core Services Service Implementation Plan | Does not yet meet the minimum requirement |
| 1.5c | Core Projects Service Implementation Plan | Does not yet meet the minimum requirement |
| 1.6 | Technology Plan | Meets the minimum requirement |
| 1.7a | Health and Safety Plan | Meets the minimum requirement |
| 1.7b | Quality Management Systems Plan | Meets the minimum requirement |
| 1.7c | Environmental Management System Plan | Meets the minimum requirement |
| 1.8 | Service Continuity Plan | Meets the minimum requirement |
| 1.9 | Service Exit Plan | Meets the minimum requirement |
| 2.1 | Social Value Plan | Meets the minimum requirement |
| 2.2 | Local Supply Chain Development Plan | Meets the minimum requirement |

| | | |
|------------------------------|---|---|
| 2.3 | Local Community Engagement and Capacity Building Plan | Meets the minimum requirement |
| 2.4 | Environmental Impact Reduction Plan | Meets the minimum requirement |
| 2.5 | Innovation and Improvement Plan | Does not yet meet the minimum requirement |
| 3.1 | Commercial Plan | Does not yet meet the minimum requirement |
| 3.2 | Pensions Plan | Does not yet meet the minimum requirement |
| 4.1 | Legal | Not assessed at this stage |
| | | |
| Total number of criteria met | | 19 of 26 |

Appendix 8 - Final Tender evaluation outcome summary – qualitative criteria

| Level 4 Criteria | Maximum Score Available | Score Achieved |
|---|-------------------------|----------------|
| 1.2 Please provide a Governance & Contract Management Plan detailing how you will support the governance & management of the Services. | 100 | 100 |
| 1.2a Please provide a Housing - Core Services - Reactive Maintenance Plan detailing how you will deliver these Services. | 100 | 75 |
| 1.2b Please provide a Corporate - Core Services - Reactive Maintenance Plan detailing how you will deliver these Services. | 100 | 75 |
| 1.2c Please provide a Housing - Core Services - Compliance, Servicing & Inspections (including Gas) Plan detailing how you will deliver these Services. | 100 | 75 |
| 1.2d Please provide a Corporate - Core Services - Compliance, Servicing & Inspections Plan detailing how you will deliver these Services. | 100 | 75 |
| 1.2e Please provide a Core Projects (Housing & Corporate) Plan detailing how you will deliver these Services. | 100 | 50 |
| 1.3a Please provide a Resources Plan (Part A) detailing how you will successfully resource & deliver the Services. | 100 | 75 |
| 1.3b Please provide a Resources Plan (Part B) detailing how you will successfully resource & deliver the Services where directly employed workers are used. | 100 | 75 |
| 1.4a Please provide a Supply Chain Plan detailing how you will fairly select, manage & pay Suppliers & Sub-Contractors. | 100 | 50 |
| 1.4b Please provide a Fair Work Plan detailing how you will comply with Fair Work First principles where subcontracted workers are used. | 100 | 75 |
| 1.5a Please provide a Mobilisation Plan detailing how you will mobilise the Services. | 100 | 75 |
| 1.5b Please provide a Core Services Service Implementation Plan detailing how you will transition services from existing contracts into the Contract. | 100 | 75 |
| 1.5c Please provide a Core Projects Service Implementation Plan detailing how you will transition services from existing contracts into the Agreement. | 100 | 75 |
| 1.6 Please provide a Technology Plan detailing how you will use IT & technology to robustly & reliably support the delivery of the Agreement. | 100 | 75 |

| | | |
|--|-----|----------|
| | | |
| 1.7a Please provide a Health & Safety Plan detailing your management arrangements for the health, safety & wellbeing of the workforce, client & service users. | 100 | 100 |
| 1.7b Please provide a Quality Management Systems Plan detailing your management systems for managing quality. | 100 | 50 |
| 1.7c Please provide an Environmental Management System Plan detailing your management systems for managing environmental impact. | 100 | 100 |
| 1.8 Please provide your Service Continuity Plan detailing how you will maintain continuity of service delivery. | 100 | 75 |
| 1.9 Please provide a Service Exit Plan detailing how you will manage the handover of services & supporting information to the Authority. | 100 | 75 |
| 2.1 Please provide a Social Value Plan detailing how you will deliver specific & tangible Social Value measures & benefits that you will offer the Authority. | 100 | 75 |
| 2.2 Please provide a Local Supply Chain Development Plan detailing how you will deliver support local supply chain participation in the Agreement. | 100 | 100 |
| 2.3 Please provide a Local Community Engagement & Capacity Building Plan detailing how you will support local community engagement over the Term. | 100 | 75 |
| 2.4 Please provide an Environmental Impact Reduction Plan detailing how you will reduce environmental impact over the Term. | 100 | 75 |
| 2.5 Please provide an Innovation & Improvement Plan for delivery of innovation, new technologies & new methods of service delivery. | 100 | 50 |
| 3.3 Please provide a Commercial Plan describing your commercial management approach to the Agreement. | 100 | 50 |
| 3.4 Please provide a Pensions Plan describing your approach to pension arrangements for the Agreement. | 100 | 75 |
| 4.1 Legal | 100 | 50 |
| | | |
| Total number of criteria met | | 27 of 27 |

Appendix 9 - Social value commitments

- creation of new jobs over the first three years of the contract, recruitment where possible from the local area;
- commitment to providing a significant craft and modern apprenticeship programme over the duration of the contract;
- scope for additional apprenticeships dependent on the extent to which the contractor secures Core Projects;
- further opportunities to increase the social value commitments to work placements and apprenticeships through the supply chain through future subcontract procurement processes;
- commitment to work placements working with local schools, colleges and employability programmes and engaging with NL Education Future Friday strategy to offer placements;
- continued commitment to employing locally and to employing locally first;
- continue to spend where possible with voluntary, community and social enterprises through its supply chain;
- commitment to working with schools to promote construction as a positive work destination and specifically at MEARS;
- offer knowledge and experience of developing training colleges to help the council realise its ambition of creating its Construction Skills academy;
- investment in a local needs analysis report specific to North Lanarkshire in partnership with independent expert organisation;
- annual assurance of its Social Value achievements by independent organisation;
- all subcontracts to include commitments to social value and regular reporting, proportionate to their scale;
- delivery of a bespoke Social Value training programme to all MEARS managers;
- introduction of new apprenticeships to address the Climate Emergency;
- commitment of funding to integrate the new services into their IT systems and interfaces with the Council's client management system;
- commitment to creation of an innovation fund;
- continued commitment to maintain a head office in North Lanarkshire with upgraded accommodation;
- commitment to encouraging the participation of local SMEs to work with the Bidder;
- commitment to diversifying its workforce through initiatives such as "Tradeswomen into Maintenance", and the "Armed Forces Covenant";
- commitment to an employee volunteering programme for a local charity or community project;
- support and guidance for local businesses to participate and onboard to the Preferred Bidders supply chain;
- 'Meet the Buyer' events and local engagement with businesses to advertise and promote future subcontract opportunities through NL Business Gateway;
- commitment to working with social enterprises and supported businesses;
- advertising of supply chain opportunities on Public Contracts Scotland portal (PCS);
- investment in subcontractor training and development e.g., Safety, Health & Environment (SHE) Awareness courses, Customer Care induction;
- prompt payment of subcontractors within 30 day terms;
- sustainable procurement duty embedded into tender processes;
- commitment to fair work practices for its directly employed workforce and its supply chain;

- all directly employed staff are paid in excess of Scottish Living Wage; and
- signatory to the Scottish Responsible Business Charter.

Appendix 10 – Contractual benefits

| Topic | New Contract Provisions | Benefits |
|--------------------------------|---|--|
| Application of SOR | Priced Schedules of Rates (base rate) – Bidder to provide its rate. Comparison between Bidder's rates and Council's rates. Breakdown of SOR items – labour, plant, materials, management, profit. | <ul style="list-style-type: none"> improved transparency of application of SOR (including labour, materials, plant, management fee and profit). better information for benchmarking. improved transparency of application of SOR for out of hours, cost plus margins for dayworks / narrative orders. future proofing for use of change mechanism. |
| Benchmarking | Market testing and benchmarking based on CCS Model Service Contract. | <ul style="list-style-type: none"> improved value for money provisions. industry standard provisions. |
| Best Value Efficiency Saving | Replacement of existing provisions with a service credit model linked to KPIs. | <ul style="list-style-type: none"> modernised, commercial approach linked to contract management. |
| Change | Documented change process, based on CCS Model Service Contract. Process includes consideration of impact of proposed change on pricing. | <ul style="list-style-type: none"> improved value for money provisions. industry standard provisions. |
| Competitive Terms | Contractor given responsibility for demonstrating value for money. | <ul style="list-style-type: none"> improved value for money provisions. |
| Data Protection | Industry standard provisions based on CCS Model Service Contract. | <ul style="list-style-type: none"> modernised contract terms aligned with legislation. improved commercial position (cyber security). |
| Environment and Sustainability | Introduction of Environmental Impact Reduction Plan to capture and monitor Bidder's emissions over the contract term. | <ul style="list-style-type: none"> greater transparency. an environmental impact reduction plan to capture and monitor the contractor's commitments to emission reductions over the contract term (aligned to Scottish Government climate reduction measurement and the council's net zero priorities to 2030 and beyond). |
| Exclusivity | Exclusivity for Core Services, no exclusivity for Core Projects. Non-exclusivity for Core Projects with engagement | <ul style="list-style-type: none"> guarantees that pricing for Core projects will always align with "on-market" pricing. |

| | | |
|--|--|--|
| | process to determine value for money. | |
| Exit Management | Comprehensive contractor requirements for supporting exit / transition to a new contract. | <ul style="list-style-type: none"> • greater transparency. • improved commercial position. |
| Fair Work Practices | Requirement to pay subcontractors within 30 days. Requirement to pay the living wage. | <ul style="list-style-type: none"> • alignment with Scottish Government Fair Work guidance • improved value for money provisions. • opportunities for SMEs and supply chain |
| Financial capacity | Introduction of monitoring and escalation of potential financial instability. | <ul style="list-style-type: none"> • greater transparency. • improved value for money provisions. • improved commercial position. |
| Freedom of Information | Industry standard provisions based on CCS Model Service Contract. | <ul style="list-style-type: none"> • aligns contract with legislation. • modernised contract terms. |
| Indexation | Building Cost Information Service (BCIS) General Building Cost Index | <ul style="list-style-type: none"> • no change – continuity of indexation (no risk pricing). • Industry good practice. |
| Key Personnel | Requirements for Contractor to provide consistent quality and qualification of key personnel, notification of change of key personnel. | <ul style="list-style-type: none"> • greater risk transfer to the Contractor. • improved commercial position. |
| Method of Measurement | Standard Method of Measurement (SMM7), moving to New Rules of Measurement (NRM2) or industry standard. | <ul style="list-style-type: none"> • opportunity for improvement and modernisation over contract the term. |
| Partnering principles | Partnering approach embedded into the contract. | <ul style="list-style-type: none"> • aligns with industry good practice. • supports delivery of project objectives |
| Performance Indicators and measurement | Comprehensive range of performance measures (KPIs) – compliance, reactive maintenance, investment – Housing and Corporate. Introduction of commercial consequences for failing to meet milestones. Link to service credit model. | <ul style="list-style-type: none"> • improved value for money provisions. • greater transparency of performance reporting. |
| Service Credit Model | Financial deductions for failure to meet KPIs. | <ul style="list-style-type: none"> • improved value for money provisions. |

| | | |
|---|---|--|
| | | <ul style="list-style-type: none"> • commercial consequences for failing to meet performance requirements. • greater transparency of performance reporting. |
| Service Scope and Specifications | Comprehensive scope documents – Core Services, Core Projects. Comprehensive suite of specifications. | <ul style="list-style-type: none"> • updated specifications for new standards, emerging technology and legislation. • greater transparency. • audit trail / future proofing. |
| Social Value | Requirement for Contractor to meet commitments to Social Value targets. | <ul style="list-style-type: none"> • supports delivery of project objectives. • alignment with industry standards (Themes, Outcomes and Measures framework). |
| Staff Transfers at Commencement / expiry TUPE and Pensions | Options for Contractor to provide a Local Government Pension Scheme or a Broadly Comparable Scheme based on standard industry practice. | <ul style="list-style-type: none"> • provisions aligned with Scottish Government statutory guidance on pensions. |
| Subcontracting | Requirement to advertise subcontracting opportunities. Support for participation of SMEs. Requirement for Fair Work practices across the supply chain. Provisions based on CCS Model Service Contract. | <ul style="list-style-type: none"> • compliance with Scottish Government guidance. • improved transparency to encourage participation by local supply chain. • links to social value commitments. |

Appendix 11- Benchmarking

| Ref | Potential Benchmarking Comparator – Data Source | Potential scope | Confidence Rating | Outcome |
|-----|---|---|-------------------|--|
| 1. | APSE – Benchmarking exercise March 2023 – comparison between NLC and 4 other local authorities. | Core Services | Medium | Generally Favourable |
| 2. | NLC price validation exercise | Core Services | Medium | Generally Unfavourable |
| 3. | National Housing Federation SOR Benchmarking exercise | Core Services | Medium | Mixed |
| 4. | National Schedule of Rates SOR – Benchmarking Exercise | Core Services | Low | Mixed |
| 5. | Scotland Excel – Property Maintenance and refurbishment framework | Daywork percentage additions Labour hourly rates | Low | Mixed |
| 6. | General market indicators – Turner & Townsend Market Intelligence Reports | Core Services Core Projects | Low | N/A General market overview only |
| 7. | Comparison to NLC Roads & Infrastructure final tender submissions | Management fee Profit | Medium | Information not available in required timeframe. |
| 8. | Crown Commercial – Housing Maintenance and Repair Framework – RM6241 | Core Services Core Projects | N/A | No reference points identified |
| 9. | Scottish Procurement Alliance (SPA) - Frameworks | Core Projects | N/A | No reference points identified. |
| 10. | SCAPE – Frameworks (Scotland) | Core Projects | N/A | No reference points identified |
| 11. | Other similar Scottish organisations with similar delivery model | Core Services Core Projects | N/A | No reference points identified |

Appendix 12- External Advisors fees

| Advisor | Fee Total |
|--------------------------------|------------|
| Turner and Townsend | £2,648,221 |
| Pinsent Masons LLP | £1,080,126 |
| Grant Thornton UK LLP | £233,314 |
| Optimum Professional Solutions | £70,600 |
| Harper Legal | £32,250 |
| Burness Paull LLP | £24,000 |
| | |
| Total | £4,088,511 |

North Lanarkshire Council Report

Council

Does this report require to be approved?

☒ Yes ☐ No

Ref

Date

28/03/24

Changes to Political Balance

From A Aitken, Chief Officer (Legal and Democratic)

E-mail rosean@northlan.gov.uk

Telephone 07951 409714

Executive Summary

Council is recommended:-

1. To note the political balance calculations as detailed in the report;
2. To acknowledge that the political balance calculator is unable to determine which political group should be awarded a place on the bodies listed in paragraph 2.5;
3. To agree that the committee places on the bodies listed in paragraph 2.5 be awarded as detailed in paragraph 2.8, and
4. To otherwise note the contents of the report.

Recommendations

It is recommended:-

1. that the Council acknowledges that, in accordance with political balance, either the Labour Group or the SNP Group should receive the 14th place on each of the following:-

Education Employee Appeals Sub-Committee
Employee Appeals Sub-Committee
Petitions Sub-Committee
Regulatory Committee

and agrees that this shall be achieved as detailed in paragraph 2.8 of this report, and

2. that the Council notes the other impacts to committee memberships as a result of the changes to political group affiliation, as detailed in the report, and that these will be resolved via direct communication with political groups by Council officers and dealt with elsewhere on the agenda at the meeting of the Council on 28 March 2024.

The Plan for North Lanarkshire

| | |
|--------------------|---|
| Priority | Enhance participation, capacity, and empowerment across our communities |
| Ambition statement | All ambition statements |
| Programme of Work | Statutory / corporate / service requirement |

1. Background

- 1.1 On 11 January 2024, Councillor Baudo informed the Chief Executive that she had resigned from the Progressive Change North Lanarkshire (PCNL) Group and had joined the Labour Group, with immediate effect.
- 1.2 Standing Order 63 states that “The appointment of Members to all Council bodies shall be undertaken having due regard to Political Balance in accordance with the Local Government and Housing Act 1989.” Whilst that aspect of that Act was never enacted in Scotland, the Council has previously agreed to incorporate the requirement for political balance into its Standing Orders.
-

2. Report

- 2.1 Previously, where changes in political balance have occurred following such events as a by-election or elected members moving between political groups, the calculation that is applied to determine committee composition has provided a clear indication of how political balance is to be achieved.
- 2.2 In this case, the situation is complex and has resulted in a position whereby officers are not in a position to indicate where the position should be allocated and therefore are seeking Council to make this determination.

The Political Balance Calculation

- 2.3 Following Councillor Baudo’s move from the PCNL Group to the Labour Group, the balance on the Council is as follows:-

| | |
|--------------------|---------------------|
| Labour Group | 35 Members (45.45%) |
| SNP Group | 24 Members (31.17%) |
| PCNL Group | 7 Members (9.09%) |
| Conservative Group | 5 Members (6.49%) |
| Others | 6 Members (7.79%) |

For the purposes of calculation, “Others” comprises 5 Independent Members, 1 Scottish Green Member and 1 British Unionist Member, who, if calculated individually, would never achieve a score high enough to be provided with any committee memberships

- 2.4 To determine how many members from each group are appointed to each committee, the percentage total shown above is applied to each committee. This in turn provides a number, taken to two decimal places, for each Group. Officers will then round up/down that number accordingly to achieve a whole number and this is the number of places allocated to each group on each committee.

Two Groups Applicable for an Additional Place

2.5 In the current position, for the committees listed below:-

- Education Employee Appeals Sub-Committee (14 Members)
- Employee Appeals Sub-Committee (14 Members)
- Petitions Sub-Committee (14 Members)
- Regulatory Committee (14 Members)

the calculation achieves the following outcome:-

| | |
|--------------------|--------------|
| Labour Group | 6.36 Members |
| SNP Group | 4.36 Members |
| PCNL Group | 1.27 Members |
| Conservative Group | 0.91 Members |
| Others | 1.09 Members |

Standard rounding up and down would present an outcome of 6, 4, 1, 1 and 1 places respectively. However, this only provides a total of 13 places on those committees which have 14 places available.

The next stage in such circumstances would be to identify the Group which has the largest 2-digit decimal over and above the whole number. In this case, both the Labour Group and the SNP Group have a decimal of 0.36.

Officers attempted to resolve the position by expanding to a greater number of decimal places, but this produced a tie in all instances.

2.6 Given this equality, the calculation does not provide a solution as to which group, out of the Labour Group and the SNP Group, should receive the additional place in each instance and, accordingly, Council is asked to make the determination.

2.7 Council is advised that allocating the place in each instance to a group other than those listed in paragraph 2.6 above would not accord with political balance and would therefore be contrary to Standing Order 63.

2.8 Following discussions between the Labour Group and the SNP Group, agreement has been reached, whereby:-

- Education Employee Appeals Sub-Committee – place to be allocated to SNP Group (Councillor Jarvie to replace Councillor Brennan)
- Employee Appeals Sub-Committee – place to be allocated to SNP Group (Councillor Smith to replace Councillor Baudo)
- Petitions Sub-Committee – place to be allocated to Labour Group (Councillor Fisher to replace Councillor McManus)
- Regulatory Committee – place to be allocated to Labour Group (Councillor Baudo to remain appointed)

Other Changes Arising Out of the Change in Political Balance

- 2.9 Council is also advised that some other changes to committee membership are required as a result of the position as detailed in paragraph 1 of this report, but these are able to be dealt with in co-operation with political groups as the political balance calculator provides a clear outcome. However, for completeness, those changes are listed below:-

| | |
|---|--|
| Adult Care and Social Work Committee | Labour Group to lose one place PCNL to gain one place |
| Housing Committee | Labour Group to lose one place PCNL to gain one place |
| Joint Negotiating Committee (JNC) For Teaching Staff | Labour Group to lose one place PCNL to gain one place |
| Wellbeing and Tackling Poverty Committee | Labour Group to lose one place PCNL to gain one place |

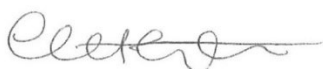
These changes will be dealt with elsewhere on the agenda for the meeting of the Council on 28 March 2024.

3. Measures of success

- 3.1 That the Council's decision-making process accurately reflects the political balance of the Council.

4. Supporting documentation

None



A Aitken
Chief Officer (Legal and Democratic)

5. Impacts

| | |
|-----|---|
| 5.1 | <p>Public Sector Equality Duty and Fairer Scotland Duty Does the report contain information that has an impact as a result of the Public Sector Equality Duty and/or Fairer Scotland Duty? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the impact?</p> <p>If Yes, has an assessment been carried out and published on the council's website? https://www.northlanarkshire.gov.uk/your-community/equalities/equality-and-fairer-scotland-duty-impact-assessments Yes <input type="checkbox"/> No <input type="checkbox"/></p> |
| 5.2 | <p>Financial impact Does the report contain any financial impacts? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, have all relevant financial impacts been discussed and agreed with Finance? Yes <input type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the impact?</p> |
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| | <p>Where the impact identifies a requirement for significant technology change, has an assessment been carried out (or is scheduled to be carried out) by the Enterprise Architecture Governance Group (EAGG)?</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> |
| 5.7 | <p>Environmental / Carbon impact</p> <p>Does the report / project / practice contain information that has an impact on any environmental or carbon matters?</p> <p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>If Yes, please provide a brief summary of the impact?</p> |
| 5.8 | <p>Communications impact</p> <p>Does the report contain any information that has an impact on the council's communications activities?</p> <p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>If Yes, please provide a brief summary of the impact?</p> |
| 5.9 | <p>Risk impact</p> <p>Is there a risk impact?</p> <p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>If Yes, please provide a brief summary of the key risks and potential impacts, highlighting where the risk(s) are assessed and recorded (e.g. Corporate or Service or Project Risk Registers), and how they are managed?</p> |
| 5.10 | <p>Armed Forces Covenant Duty</p> <p>Does the report require to take due regard of the Armed Forces Covenant Duty (i.e. does it relate to healthcare, housing, or education services for in-Service or ex-Service personnel, or their families, or widow(er)s)?</p> <p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>If Yes, please provide a brief summary of the provision which has been made to ensure there has been appropriate consideration of the particular needs of the Armed Forces community to make sure that they do not face disadvantage compared to other citizens in the provision of public services.</p> |
| 5.11 | <p>Children's rights and wellbeing impact</p> <p>Does the report contain any information regarding any council activity, service delivery, policy, or plan that has an impact on children and young people up to the age of 18, or on a specific group of these?</p> <p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>If Yes, please provide a brief summary of the impact and the provision that has been made to ensure there has been appropriate consideration of the relevant Articles from the United Nations Convention on the Rights of the Child (UNCRC).</p> <p>If Yes, has a Children's Rights and Wellbeing Impact Assessment (CRWIA) been carried out?</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> |

North Lanarkshire Council Report

Council

Does this report require to be approved?

☒ Yes ☐ No

Ref LB

Date

28/03/24

Clydeplan and Regional Spatial Strategy Governance Arrangements

From Chief Officer (Place)

E-mail bowdenl@northlan.gov.uk

Telephone

07939280460

Executive Summary

The purpose of this paper is to notify Council of proposed new governance structures to continue progress on a collaborative approach to regional planning following the publication of National Planning Framework 4 (NPF4).

Recommendations

It is recommended that the Council:-

- 1) Note the recommendation of the Clydeplan Joint Committee to transfer responsibility for the development of a Regional Spatial Strategy to the Glasgow City Region Cabinet;
- 2) Note Glasgow City Region Cabinet's approval of the establishment of a new Regional Spatial Planning Sub Committee to oversee the development of a Regional Spatial Strategy;
- 3) Note that approval of participation in any future Regional Spatial Strategy will remain a decision for North Lanarkshire Council;
- 4) Agree to formally withdraw from the Clydeplan Joint Committee and transfer requisition funding to Glasgow City Council as lead authority for the Glasgow City Region;
- 5) Request an update on progress within 12 months

The Plan for North Lanarkshire

| | |
|--------------------|--|
| Priority | Improve economic opportunities and outcomes |
| Ambition statement | (5) Grow and improve the sustainability and diversity of North Lanarkshire's economy |
| Programme of Work | Transforming Places |

1. Background

- 1.1 The introduction of National Planning Framework 4 (NPF4) removes the requirement to produce a Statutory Development Plan and replaces it with a duty to prepare a non-statutory Regional Spatial Strategy (RSS).
- 1.2 Since 1996 the eight Glasgow City Region local authorities have worked together to develop a series of regional spatial plans, the most recent being the Clydeplan Strategic Development Plan ("SDP"), which was approved by Scottish Ministers in July 2017.
- 1.3 The previous SDP set out a Vision and Spatial Development Strategy from now until 2036, suggesting where new development should be located and a policy framework that helps deliver sustainable economic growth through the creation of high quality development which seeks to reduce inequalities and enhances the quality of life in Glasgow City Region. The SDP also set the strategy and policy context for the individual local authority Local Development Plans.
- 1.4 This is no longer extant since the introduction of NPF4 and has been replaced by the requirement to prepare an RSS.

2. Report

- 2.1 Clydeplan has been governed by a Joint Committee for the purpose of representing them in carrying out the functions conferred upon them under Sections 4 to 14 of the Town and Country Planning (Scotland) Act 1997 as amended by the Planning etc (Scotland) Act and have each passed the necessary resolution for giving effect to this Agreement. Renfrewshire Council provides support functions for the Joint Committee on behalf of the Member Authorities.
- 2.2 The Clydeplan Joint Committee has previously agreed that work should be undertaken to explore the future governance arrangements for the performance of the functions undertaken by the Joint Committee particularly in relation to the new duty on local authorities in relation to strategic planning as part of the Planning (Scotland) Act 2019, namely, to prepare a Regional Spatial Strategy
- 2.3 Unlike the current Strategic Development Plan the Regional Spatial Strategy will not form part of the statutory Development Plan which will now comprise the National Planning Framework and the Local Development Plan.
- 2.4 Given these changes it was acknowledged that the role and remit for which the Glasgow and Clyde Valley Strategic Development Planning Authority Joint Committee was originally established will significantly change and therefore the future role of the Committee required to be reviewed. Members will recall that the decision was taken on 21 December that the Council should withdraw from the Glasgow and ClydeValley Joint Committee and the requires two year notice period for that withdrawal will commence on 31 March 2024.
- 2.5 The Joint Committee itself has recommended to its members that the functions transfer to the Glasgow City Region, with GCR Cabinet overseeing the development of the RSS. At its meeting on 12th February 2024, the Cabinet agreed to establish a Regional Planning Sub Committee to discharge this function, subject to approval by the 8 Local Authorities through their own local democratic structures. This Sub Committee will be made up of two elected members from each of the authorities.

- 2.6 The attached paper, setting out the proposed new working arrangements, was approved by Cabinet and approval is now sought from the Council to transfer responsibility for Regional Planning to the GCR Cabinet.

Proposed future approach

- 2.7 The attached paper sets out the proposed approach to future collaboration, based on three fundamental principles, namely:
- A collaborative approach to regional spatial planning with all members being equal;
 - Integration with wider regional activity to maximise impact; and, fundamentally
 - The need for local democratic accountability with no local authority being bound by any decision they cannot support
- 2.8 To achieve this, the new Sub-Committee will not have decision making powers and will oversee the development of an RSS for the region. This will then be presented to the 8 Local Authorities for consideration, with Cabinet simply noting the approved document. This ensures that approval sits with local democratic structures whilst collaboration is facilitated through regional ones.
- 2.9 The Joint Committee agreed to recommend this approach at its meeting on 24th January 2024, as did GCR Cabinet on 12th February 2024.
- 2.10 Under the new arrangements, North Lanarkshire Council will remain accountable and responsible for all planning decisions within the area.
- 2.11 North Lanarkshire Council currently pays a requisition of £68,375 to support staff and associated costs. For 2023/24 there was a reduction of the contribution by £15,000 and by £25,000 for 2024/25. It is proposed that this funding is transferred along with the Clydeplan and Green Network Partnership staff to Glasgow City Council as lead authority for the Glasgow City Region. This will be managed through regional structures with the Finance Strategy Group consisting of the 8 Finance Directors overseeing the budget and reporting to the 8 Chief Executives. The final budget for the Regional Spatial Planning Sub-Committee will be approved by Cabinet on an annual basis.
- 2.12 Appropriate due diligence will be carried out by Glasgow City Council and Renfrewshire Council to ensure the transfer of assets. Any reserves will be returned to the constituent authorities following conclusion of the process.

3. Measures of success

- 3.1 The eight Glasgow City Region Councils will continue work together successfully to produce a Regional Spatial Strategy setting out the strategic development priorities, overseen by the Regional Planning Sub-Committee.

4. Supporting documentation

Appendix 1 - Glasgow City Region – City Deal Cabinet – Regional Spatial Planning Arrangements 12th February 2024



Pamela Humphries
Chief Officer (Place)

5. Impacts

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| 5.1 Public Sector Equality Duty and Fairer Scotland Duty Does the report contain information that has an impact as a result of the Public Sector Equality Duty and/or Fairer Scotland Duty? Yes <input type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the impact? If Yes, has an assessment been carried out and published on the council's website? https://www.northlanarkshire.gov.uk/your-community/equalities/equality-and-fairer-scotland-duty-impact-assessments Yes <input type="checkbox"/> No <input type="checkbox"/> |
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Glasgow City Region – City Deal

Cabinet

Report by Director of Regional Economic Growth

Contact: Kevin Rush (0141 287 4613)

Item

Regional Spatial Planning Arrangements

Purpose of Report:

The purpose of this paper is to propose a revised governance structure for the oversight of the development of a Regional Spatial Strategy (RSS) for the Glasgow City Region (GCR) following the recommendation of the Clydeplan Joint Committee in June 2023 to transfer responsibility to the GCR Cabinet.

Recommendations:

Cabinet is asked to:

- Note the report;
- Agree to the establishment of a new Planning Sub-Committee with **approval** of a Regional Spatial Strategy resting with the individual Member Authorities; and
- Agree this approach through their own democratic structures at the earliest opportunity.

Introduction

1. The purpose of this paper is to propose a revised governance structure for the oversight of the development of a Regional Spatial Strategy (RSS) for the Glasgow City Region (GCR) following the recommendation of the Clydeplan Joint Committee in June 2023 to transfer responsibility to the GCR Cabinet.
2. The proposal requires endorsement from the GCR Cabinet and the 8 constituent Member Authorities prior to implementation.

Background and the growth of City Regions

3. Increasingly the role of city regions, through the establishment of City Deals and Regional Economic Partnerships, are emerging as the key mechanism for the delivery on a number of important agendas including: economic development, City Deals, climate change, environmental improvement and strategic planning.
4. In this context the new duty to prepare a Regional Spatial Strategy is key in planning for the future development of the Glasgow City Region.
5. Since 1996 the eight Glasgow City Region local authorities have worked together to develop a series of regional spatial plans, the most recent being the Clydeplan Strategic Development Plan ("SDP"), which was approved by Scottish Ministers in July 2017.
6. The previous SDP set out a Vision and Spatial Development Strategy from now until 2036, suggesting where new development should be located and a policy framework that helps deliver sustainable economic growth through the creation of high quality development which seeks to reduce inequalities and enhances the quality of life in Glasgow City Region. The SDP also set the strategy and policy context for the individual local authority Local Development Plans.
7. This is no longer extant since the introduction of NPF4, and has been replaced by the requirement to prepare an RSS.
8. Since 2022, the City Region has seen a very significant increase in responsibility and budget devolved to it from both UK and Scottish Governments. This includes a number of programmes which have clear spatial planning elements to them. New programmes now managed through the GCR PMO and overseen by Cabinet include:

| Date of Award | Programme | Amount |
|---------------|---------------------------|--------|
| February 2022 | Innovation Accelerator | £33m |
| August 2022 | UK Shared Prosperity Fund | £74m |
| June 2023 | Clyde Mission | £26.5m |
| June 2023 | Investment Zone | £160m |
| November 2023 | 5G Innovation Region | £3.2m |

9. Given this, a new Head of Place has been appointed to oversee the spatial planning elements of the GCR Programme, including Clyde Mission, the development of a Clyde Masterplan and the Investment Zone. Ross Nimmo, currently Head of Planning and Development at Glasgow Airport, will take up this post on 4th March 2024.

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10. There are clear synergies between this exciting new body of work and the development of a Regional Spatial Strategy, and the opportunity to merge teams and governance could generate significant opportunities and efficiencies for the Region.

Governance Review

11. The Clydeplan Joint Committee has previously agreed that work should be undertaken to explore the future governance arrangements for the performance of the functions undertaken by the Joint Committee particularly in relation to the new duty on local authorities in relation to strategic planning as part of the Planning (Scotland) Act 2019, namely to prepare a Regional Spatial Strategy.
12. Unlike the current Strategic Development Plan the Regional Spatial Strategy will not form part of the statutory Development Plan which will now comprise the National Planning Framework and the Local Development Plan.
13. Given these changes it was acknowledged that the role and remit for which the Glasgow and Clyde Valley Strategic Development Planning Authority Joint Committee was originally established will significantly change and therefore the future role of the Committee required to be reviewed.
14. Following the vote at its June 2023 meeting on a report on future arrangements, the Joint Committee agreed to recommend the following option:

***(a) That the contents of the report be noted;
(b) That the cessation of strategic development plans be noted; and
(c) That the preferred option for considering regional spatial strategy planning issues going forward be that existing Clydeplan staff resource be reviewed in light of the new requirements for RSS preparation. Staff would be consulted on a possible TUPE transfer to Glasgow City Council. If transferred, the team would be integrated into the existing city region structures (overseen by the Regional Director) who would take responsibility for preparing an RSS and reporting this through to the GCR Cabinet for approval. This would move the duty to prepare an RSS directly into the city region governance structures.***

15. It should be noted that the individual Member Authorities need to take their own decisions on how they wish to proceed with the development of Regional Spatial Strategies and the Joint Committee's recommendation.
16. Since the June 2023 recommendation, two Councils have expressed views on the future arrangements:
 - In September 2023, Renfrewshire Council approved the following motion:

"This Council notes the decision of the GCVSDPA (Clydeplan) Joint Committee to recommend passing responsibility for the new Regional Spatial Strategy to the Glasgow City Region Cabinet, however this Council considers it premature to do so at this juncture as no guidance has been issued to date as to the development of the RSS or the governance agreed between the constituent authorities.

The staff of the GCVSDPA (who are Renfrewshire Council employees) are greatly valued for their skills and knowledge in this rapidly changing planning

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environment and should be fully supported and involved in any proposed changes.

The Joint Committee has successfully operated as a directly accountable governance structure to all 8 local authorities regarding regional planning. This council believes that the same principle should apply regarding the development of the new Regional Spatial Strategies (RSS). For it to be equally successful it must be founded in democratically accountable governance structures which encourages neighbouring authorities to collaborate and agree on any strategies that may have an influence on their own local planning policies.

Council therefore agrees that the Joint Committee should continue until alternative suitable democratically accountable governance structures are identified, agreed and approved by all constituent authorities for its replacement with responsibility for delivering the new Regional Spatial Strategy”

- In December 2023, North Lanarkshire Council voted to formally withdraw from the existing Joint Committee and will serve its two year notice from 31st March 2024.

17. It is therefore clear that a sustainable future arrangement needs to be found which satisfies the desire for democratically accountable governance, generates efficiencies, develops a mutually agreed Regional Spatial Strategy and delivers on the new programmes devolved to regional level.

Proposed way forward

18. Recognising that consensus will always be sought, the proposal is based on three fundamental principles:
 - A collaborative approach to regional spatial planning with all members being equal;
 - Integration with wider regional activity to maximise impact; and, fundamentally
 - The need for local democratic accountability with no local authority being bound by any decision they cannot support

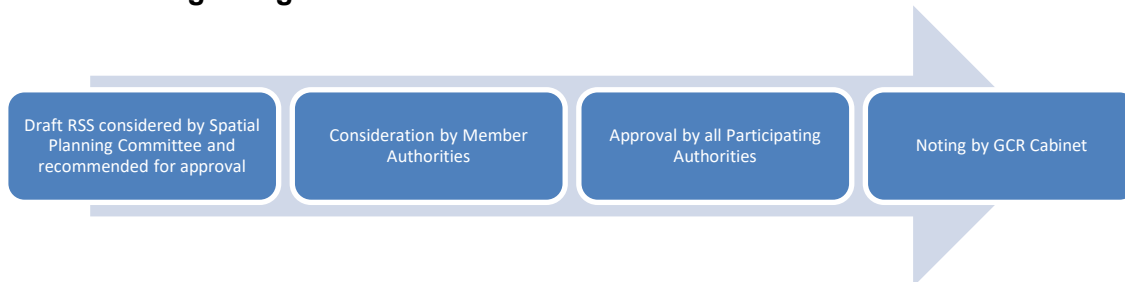
Ensuring local democratic accountability for the new Regional Spatial Strategy

19. To secure local democratic accountability for the new Regional Spatial Strategy it is proposed that a Glasgow City Region Spatial Planning Committee is established as a sub-committee of the Glasgow City Region Cabinet, which is a Joint Committee established under the Local Government (Scotland) Act 1973. Membership will consist of Planning Conveners or equivalent from each of the local authorities. The Chair will be decided by its membership. This Committee will oversee the development of a Regional Spatial Strategy for the Glasgow City Region for approval by the 8 Member Authorities. The Directors /Heads of Service with responsibility for Planning of each council will attend meetings in support of members.
20. This is the model used for the Education Collaborative which has been in operation since 2017.

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21. The Spatial Planning Committee would not have decision making powers and would only make recommendations on the Regional Spatial Strategy for consideration by the 8 Member Authorities to ensure local democratic accountability.
22. Ideally, all 8 Member Authorities would participate in an agreed Regional Spatial Strategy, but this would be a matter for each Council to decide and it is within the gift of any of the members to choose not to support the final strategy.
23. The Cabinet would receive and note the Regional Spatial Strategy but only after **approval** by all participating Member Authorities through their local democratic structures. This is similar to the approach undertaken for recent regional initiatives such as the Shared Prosperity Fund Investment Plan and no RSS could be presented to Cabinet without prior approval from its constituent members.
24. All efforts will be managed to agree consensus amongst the 8 members but a Regional Spatial Strategy is not a statutory document and therefore, no local authority could be bound to adopt an RSS without approval through their own democratic structures. The individual authorities retain the right not to support or be bound by anything contained within the RSS.
25. This approach was discussed at the Clydeplan Joint Committee meeting on 22nd January 2024 and there was widespread support for the approach, subject to necessary approvals being sought.

Process for agreeing new RSS



Staffing

26. The Spatial Planning Committee would replace the existing Clydeplan Joint Committee and it is anticipated that staff and budgets would transfer into the existing City Region structures, ensuring a more streamlined approach to audit, finance etc. with no requirement for separate arrangements. Following appropriate consultation, the current Clydeplan and Green Network Partnership team would transfer to Glasgow City Council under TUPE regulations (Transfer of Undertakings (Protection of Employment) Regulations 2006) and be based within the City Region PMO section where appropriate management arrangements will be put in place and resilience and support will be available. The new Head of Place would oversee the transfer and be responsible for developing the Regional Spatial Strategy for consideration by members.
27. If this approach was agreed, a paper would need to be taken through all 8 Member Authorities agreeing to the windup of Clydeplan, the establishment of a new Spatial Planning Committee and formalising the requirement for the agreement of all members before an RSS could be presented to Cabinet.

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28. This process would run over the next few months subject to all authorities reaching agreement and due trade union/staff consultation. It is likely that revised governance arrangements may take longer to embed but staffing transfers could progress more quickly.

Budget

29. The transfer of responsibility and staff to the GCR PMO is likely to generate efficiencies for the Member Authorities, with no requirement for separate office accommodation or IT costs. In addition, the GCR PMO has been effective in generating external funding from both Scottish and UK Governments in recent years for spatial planning related activity, including Clyde Mission and Investment Zone, and it is expected that this will reduce the burden on Member Authorities in future years.

Recommendation

30. Cabinet is asked to:

- Note the report;
- Agree to the establishment of a new Planning Sub-Committee with **approval** of a Regional Spatial Strategy resting with the individual Member Authorities; and
- Agree this approach through their own democratic structures at the earliest opportunity.

North Lanarkshire Council Report

Council

Does this report require to be approved? ☒ Yes ☐ No

Ref Date 28/03/24

Scheme of Administration – management and oversight of community, cultural and sports facilities

From A Aitken, Chief Officer (Legal and Democratic)

E-mail rosean@northlan.gov.uk **Telephone** 07951 409714

Executive Summary

The purpose of this report is to seek approval to amend the Scheme of Administration to reflect the organisational and structure changes agreed by the Policy and Strategy Committee at its meeting on 7 December 2023, and to streamline the oversight for Active and Creative Communities under the remit of a single committee.

Recommendations

It is recommended that the Scheme of Administration be amended to transfer the three delegations (listed in paragraph 2.3), which currently sit within the Education, Children and Families Committee, to the Communities Committee (with the exception of the educational establishment element of remit 25 which shall remain as is).

The Plan for North Lanarkshire

| | |
|--------------------|--|
| Priority | Enhance participation, capacity, and empowerment across our communities |
| Ambition statement | (24) Review and design services around people, communities, and shared resources |
| Programme of Work | All Programmes of Work |

1. Background

- 1.1 At its meeting held on 7 December 2023, the Policy and Strategy Committee agreed the terms of a report entitled “One Place One Plan – annual governance update”. The terms of this report included the relocation of some of the Council’s business functions.

2. Report

2.1 The Scheme of Administration (the Scheme), which is the document that details the democratic decision-making structure, has, traditionally, reflected the organisational structure and, where business functions have moved between Services, and where these Services report to different Committees, the Scheme has been amended accordingly.

2.2 During preparation for the report to the Policy and Strategy Committee, as detailed above, it became obvious that responsibility for oversight and management of community, cultural and sporting facilities was dispersed across two committees, namely Education, Children and Families Committee and Communities Committee.

2.3 Currently, the Scheme lists the following remits against each Committee:-

Education, Children and Families Committee

- (25) To secure arrangements for the programme of building educational establishments, community and sports facilities within the framework of the overall aims of the Council and within the allocation of resources of the Council for such purposes.
- (28) To oversee arrangements for the community use of Council property, including education operational property.
- (29) To consider the appointment of any body to manage and supervise a community and learning centre.

Communities Committee

- (21) To oversee the management and performance of the sports, recreational, leisure and cultural facilities within the Council's control in terms of previously approved budgets.
- (25) To oversee the provision of sports, recreational and leisure facilities including libraries, museums and art galleries and other cultural facilities, and to co-ordinate and oversee the activities of the Council with regard to the direct provision of festivals and other forms of entertainment.
- (28) To make and review management rules relating to sports, recreational and leisure facilities provided by the Council.
- (30) To oversee the provision of community facilities including halls and community centres

2.4 This report seeks authority to amend the Scheme to bring these functions together to enable oversight and scrutiny by a single committee of the Council. It is proposed that the Scheme be amended to transfer the three delegations (listed above) which currently sit within the Education, Children and Families Committee to the Communities Committee (with the exception of the educational establishment element of remit 25 which shall remain as is).

3. Measures of success

- 3.1 To enable more effective oversight and scrutiny of the business function by bringing responsibility under the remit of a single committee.
-

4. Supporting documentation

None



A Aitken
Chief Officer (Legal and Democratic)

5. Impacts

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|-----|---|
| 5.1 | <p>Public Sector Equality Duty and Fairer Scotland Duty Does the report contain information that has an impact as a result of the Public Sector Equality Duty and/or Fairer Scotland Duty? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the impact?</p> <p>If Yes, has an assessment been carried out and published on the council's website? https://www.northlanarkshire.gov.uk/your-community/equalities/equality-and-fairer-scotland-duty-impact-assessments Yes <input type="checkbox"/> No <input type="checkbox"/></p> |
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| 5.5 | <p>Data protection impact Does the report / project / practice contain or involve the processing of personal data? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, is the processing of this personal data likely to result in a high risk to the data subject? Yes <input type="checkbox"/> No <input type="checkbox"/> If Yes, has a Data Protection Impact Assessment (DPIA) been carried out and e-mailed to dataprotection@northlan.gov.uk Yes <input type="checkbox"/> No <input type="checkbox"/></p> |
| 5.6 | <p>Technology / Digital impact Does the report contain information that has an impact on either technology, digital transformation, service redesign / business change processes, data management, or connectivity / broadband / Wi-Fi? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the impact?</p> |

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| | <p>Where the impact identifies a requirement for significant technology change, has an assessment been carried out (or is scheduled to be carried out) by the Enterprise Architecture Governance Group (EAGG)?</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> |
| 5.7 | <p>Environmental / Carbon impact</p> <p>Does the report / project / practice contain information that has an impact on any environmental or carbon matters?</p> <p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>If Yes, please provide a brief summary of the impact?</p> |
| 5.8 | <p>Communications impact</p> <p>Does the report contain any information that has an impact on the council's communications activities?</p> <p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>If Yes, please provide a brief summary of the impact?</p> |
| 5.9 | <p>Risk impact</p> <p>Is there a risk impact?</p> <p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>If Yes, please provide a brief summary of the key risks and potential impacts, highlighting where the risk(s) are assessed and recorded (e.g. Corporate or Service or Project Risk Registers), and how they are managed?</p> |
| 5.10 | <p>Armed Forces Covenant Duty</p> <p>Does the report require to take due regard of the Armed Forces Covenant Duty (i.e. does it relate to healthcare, housing, or education services for in-Service or ex-Service personnel, or their families, or widow(er)s)?</p> <p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>If Yes, please provide a brief summary of the provision which has been made to ensure there has been appropriate consideration of the particular needs of the Armed Forces community to make sure that they do not face disadvantage compared to other citizens in the provision of public services.</p> |
| 5.11 | <p>Children's rights and wellbeing impact</p> <p>Does the report contain any information regarding any council activity, service delivery, policy, or plan that has an impact on children and young people up to the age of 18, or on a specific group of these?</p> <p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>If Yes, please provide a brief summary of the impact and the provision that has been made to ensure there has been appropriate consideration of the relevant Articles from the United Nations Convention on the Rights of the Child (UNCRC).</p> <p>If Yes, has a Children's Rights and Wellbeing Impact Assessment (CRWIA) been carried out?</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> |

North Lanarkshire Council Report

Finance and Resources Committee

Does this report require to be approved? ☒ Yes ☐ No

Ref EK/KS/RM

Date 28/02/24

Treasury Management Strategy 2024/2025 Treasury Management and Prudential Indicators 2024/2025 to 2028/2029

From Elaine Kemp, Chief Officer (Finance)

E-mail KempE@northlan.gov.uk

Telephone 07939 280 601

Executive Summary

This report fulfils the key requirements of the Local Government Act 2003 to:

- Outline the Treasury Management Strategy for 2024/2025 in accordance with the CIPFA Code of Practice on Treasury Management.
- Report on the treasury and prudential indicators as required by the above code and the CIPFA Prudential Code for Capital Finance in Local Authorities.

Recommendations

It is recommended that the Finance and Resources Committee:

- (1) Approves the Treasury Management Strategy 2024/2025 and adopts the Treasury Management and Prudential Indicators for 2024/2026 to 2028/2029, set out within Appendix 1 to this report.
- (2) Remits the Treasury Management Strategy 2024/2025 to the Council for approval.

The Plan for North Lanarkshire

| | |
|--------------------|---|
| Priority | Improve North Lanarkshire's resource base |
| Ambition statement | (25) Ensure intelligent use of data and information to support fully evidence based decision making and future planning |
| Programme of Work | Statutory / corporate / service requirement |

1. Background

- 1.1 Each year, in line with the Code of Practice, the Council approves a Treasury Management Strategy. This report updates the strategy for year 2024/2025.
- 1.2 In addition, the Treasury Management Strategy outlines the Prudential and Treasury Indicators, which are monitored on a regular basis to demonstrate that the Council's investment plans are managed within a sound financial environment.
- 1.3 This strategy continues to emphasise, under the revised Code of Practice, an enhanced role for members in terms of accountability and awareness. The Finance & Resources Committee is responsible for the development of the strategy, its implementation and monitoring, while the Audit and Scrutiny Panel has a specified role in the effective scrutiny, as part of its work on reviewing the internal financial controls of the Council.
- 1.4 The report also reflects The Local Government Investments (Scotland) Regulations 2010 which were enacted from 1 April 2010 containing a requirement for the annual investment strategy and annual investment report to be approved by the full Council and not delegated to a committee or sub-committee. As a result, this strategy, if endorsed by committee, should be remitted to the Council for approval.

2. Report

- 2.1 The strategy fully detailed within Appendix 1 covers the:
 - debt and investment projections
 - outlook in interest rates
 - borrowing and investment strategies
 - treasury management performance measures
 - policy on repayment of loans funds advances
 - treasury management/prudential indicators.
- 2.2 The requirements of the Local Government Investments (Scotland) Regulations 2010 have been incorporated within the 2024/2025 Strategy.
- 2.3 The introduction of the Prudential Code for Capital Finance in Local Authorities in April 2004 brought about a change to capital spending controls, giving councils the freedom to invest in capital projects without the limitation of legislative controls, provided their programmes can be shown to be prudent, affordable, and sustainable.
- 2.4 This report builds on this framework outlining the Council's prudential and treasury management indicators for 2024/2025 to 2028/2029. The key mandatory indicators required by both the Treasury Management Code and the Prudential Code are illustrated for these years and, along with local indicators, with a view to more fully informing the decision-making process.
- 2.5 Members should note that the forecasts contained within this report are indicative, incorporating the proposed 5-year Capital Programme 2024/2025 to 2028/2029 which is due to be reported for approval at the Policy & Strategy Committee on 14th March 2024. The financial implications of implementing this plan will be accounted for in the Council's Medium Term Financial Planning assumptions.
- 2.6 Material changes to the estimates/forecasts provided within this strategy and prudential indicators will be reported during the quarterly Treasury Management monitoring process and future annual updates to the Treasury Management Strategy

3. Measures of success

- 3.1 The Treasury Management Strategy and the Prudential/Treasury Management indicators illustrated in Appendix 1, provide members with assurance that the key objectives of the Prudential Framework (i.e. prudence and affordability) will be satisfied, and the inherent risks of Treasury Management risks will be controlled effectively and efficiently, providing value for money. When taken together, the indicators illustrate that the proposed capital investment plans for 2024/2025 onwards are prudent and affordable. Healthy prudential margins from 2024/2025 onwards justify the investment levels, the cost or affordability of which is contained within the existing financial management strategies.

4. Supporting documentation

Appendix 1: Treasury Management Strategy 2024/2025 and the Treasury Management and Prudential Indicators for 2024/2025 to 2028/2029.



Elaine Kemp
Chief Officer (Finance)

5. Impacts

| |
|---|
| 5.1 Public Sector Equality Duty and Fairer Scotland Duty Does the report contain information that has an impact as a result of the Public Sector Equality Duty and/or Fairer Scotland Duty? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the impact? If Yes, has an assessment been carried out and published on the council's website? https://www.northlanarkshire.gov.uk/your-community/equalities/equality-and-fairer-scotland-duty-impact-assessments Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 5.2 Financial impact Does the report contain any financial impacts? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> If Yes, have all relevant financial impacts been discussed and agreed with Finance? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the impact? All financial impacts are contained within the body of the report. |
| 5.3 HR policy impact Does the report contain any HR policy or procedure impacts? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, have all relevant HR impacts been discussed and agreed with People Resources? Yes <input type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the impact? |
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| | |
|--|--------------------------------------|
| 5.6 | Technology / Digital impact |
| Does the report contain information that has an impact on either technology, digital transformation, service redesign / business change processes, data management, or connectivity / broadband / Wi-Fi? | |
| Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> | |
| If Yes, please provide a brief summary of the impact? | |
| Where the impact identifies a requirement for significant technology change, has an assessment been carried out (or is scheduled to be carried out) by the Enterprise Architecture Governance Group (EAGG)? | |
| Yes <input type="checkbox"/> No <input type="checkbox"/> | |
| 5.7 | Environmental / Carbon impact |
| Does the report / project / practice contain information that has an impact on any environmental or carbon matters? | |
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| 5.8 | Communications impact |
| Does the report contain any information that has an impact on the council's communications activities? | |
| Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> | |
| If Yes, please provide a brief summary of the impact? | |
| 5.9 | Risk impact |
| Is there a risk impact? | |
| Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> | |
| If Yes, please provide a brief summary of the key risks and potential impacts, highlighting where the risk(s) are assessed and recorded (e.g. Corporate or Service or Project Risk Registers), and how they are managed? | |
| Treasury Management activity by its very nature has a number of inherent risks including interest rate, liquidity and refinancing risks. To minimise risk for its treasury management activities the Council adopts and operates in accordance with the guidelines for best practice prescribed within the CIPFA "Treasury Management in the Public Services" Code of Practice and the CIPFA Prudential Code for Capital Finance in Local Authorities. | |
| 5.10 | Armed Forces Covenant Duty |
| Does the report require to take due regard of the Armed Forces Covenant Duty (i.e. does it relate to healthcare, housing, or education services for in-Service or ex-Service personnel, or their families, or widow(er)s)? | |
| Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> | |
| If Yes, please provide a brief summary of the provision which has been made to ensure there has been appropriate consideration of the particular needs of the Armed Forces community to make sure that they do not face disadvantage compared to other citizens in the provision of public services. | |

5.11 Children's rights and wellbeing impact

Does the report contain any information regarding any council activity, service delivery, policy, or plan that has an impact on children and young people up to the age of 18, or on a specific group of these?

Yes ☐ No ☒

If Yes, please provide a brief summary of the impact and the provision that has been made to ensure there has been appropriate consideration of the relevant Articles from the United Nations Convention on the Rights of the Child (UNCRC).

If Yes, has a Children's Rights and Wellbeing Impact Assessment (CRWIA) been carried out?

Yes ☐ No ☐

Treasury Management Strategy 2024/2025 & Treasury Management Indicators & Prudential Indicators 2024/2025 to 2028/2029

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1. Introduction
 2. Annual Borrowing Requirement 2024/2025
 3. Outlook for Interest Rates
 4. Annual Borrowing Strategy 2024/2025
 5. Annual Investment Strategy 2024/2025
 6. Performance Measurement Indicators and Benchmarking
 7. Treasury Management Indicators 2024/2025 to 2028/2029
 8. Prudential Indicators 2024/2025 to 2028/2029
 9. Policy on Repayment of Loans Fund Advances 2024/2025
- Annex A: Treasury Management Policy Statement and
Clauses adopted
- Annex B: Explanation of Long-term Rating Definitions
- Annex C: Permitted Investments, Associated Controls Credit
Rating, Money and Time Limits
- Annex D: Interest Rate Forecast March 2024 until September
2026
- Annex E: Sensitivity Analysis of Prudential Indicators:
Affordability 2024/25 to 2028/29
- Annex F: Loans Fund Repayment Schedule

Treasury Management Strategy 2024/2025, Treasury Management Indicators and Prudential Indicators 2024/2025 to 2028/2029

1. Introduction

- 1.1 Treasury Management (TM) deals with the borrowing and investment activity of the Council and is an integral part of the financial management strategy of the Council. It seeks to ensure that both capital borrowing requirements and day to day revenue cash transactions are fully funded. Its importance has increased as a result of the additional freedoms provided by the Prudential Code, with specific treasury management and prudential indicators included in this Strategy that require approval.
- 1.2 The treasury management and prudential indicators outlined within section 7 and 8 below consider the affordability and impact of capital expenditure decisions, whilst the treasury management service considers the effective funding of these decisions. Together these form part of a process to ensure the Council meets its balanced budget requirement.
- 1.3 The Council's treasury management activities are strictly regulated by statutory requirements and a professional code of practice. In accordance with the Council's financial regulations the Council adopts the CIPFA "Treasury Management in the Public Services" Code of Practice (the Code) issued in December 2021 including the Treasury Management Policy statement, and the adoption of the key clauses outlined within Annex A. The Council also complies with the CIPFA Prudential Code with the setting of at least three-year prudential indicators.
- 1.4 The Council has a Capital Strategy which is approved and reviewed annually by the Policy and Strategy Committee, in conjunction with the Strategic Capital Investment Programme to demonstrate that the Council takes capital expenditure and investment decisions in line with the Council's service objectives and properly takes account of stewardship, value for money, prudence, affordability and sustainability.
- 1.5 The Prudential Code requires the Council's Capital Strategy to be aligned to the Treasury Management Strategy. To ensure this integrated approach between the capital expenditure plans and Treasury Management Strategy, the Council will continue to incorporate the Prudential Indicators with regard to capital expenditure within this document.
- 1.6 The Treasury Management Strategy outlines the Council's debt position, including the anticipated level of debt and the authorised borrowing limit. The capital expenditure plans determine the borrowing need of the Council. The Treasury Management team essentially monitor the long-term cash flow planning, to ensure the Council can meet its capital spending obligations.
- 1.7 The Code re-affirms the Audit and Scrutiny Panel's role in providing effective scrutiny of the Treasury Management Strategy and policies, whilst the Finance and Resources Committee remains responsible for the development of the strategy, its implementation and monitoring.
- 1.8 The revised Prudential and Treasury Codes emphasises members responsibility in this area, requiring increased member awareness, to enable greater member scrutiny of treasury management activity. This also enables local authorities to demonstrate that members have the necessary skills and knowledge in this complex and technical area, to make informed decisions. The Treasury Management team provide in house awareness sessions, with members also provided with the opportunity to review the Council's Treasury Management Practices manual. A Treasury Management Toolkit has been developed by CIPFA Scotland Treasury Management Forum and CIPFA, which provides an online training resource to elected members and financial staff, to further develop knowledge and understanding of elements of treasury management.
- 1.9 In accordance with the CIPFA Treasury Management Code recommendations, the Council has a Treasury Management advisory contract in place. The current providers are Arlingclose Ltd, who provide specific advice on investment, debt and capital finance issues.
- 1.10 Per the CIPFA Treasury Management Code, the Council adopts a high-level approach to setting policies for borrowing and investment activity. An appropriate scheme of delegation is in place to ensure all staff employed in treasury management have the suitable skills and resources, to carry out delegated treasury management activities effectively, efficiently and achieving value for money.
- 1.11 The treasury management staff regularly attend training courses, seminars and workshops provided by the Council's advisors, the CIPFA Scotland Treasury Management Forum and other ad hoc providers, including brokers and financial institutions. Staff also receive regular treasury

Treasury Management Strategy 2024/2025, Treasury Management Indicators and Prudential Indicators 2024/2025 to 2028/2029

related updates, information and newsletters on a daily/weekly basis via email from banks and other financial institutions. Staff also have access to treasury related websites to maintain awareness of treasury management issues.

- 1.12 The requirements of the Code have been incorporated within the 2024/2025 Treasury Management Strategy and in the preparation of the Treasury Management Indicators & Prudential Indicators for 2024/2025 to 2028/2029.
- 1.13 The Code of Practice requires the Council to produce reports on its Treasury Management policies, practices, and activities on a regular and ongoing basis. This encompasses the preparation and approval of an Annual Strategic Plan, which defines the arrangements for managing the Treasury Management function in the incoming year. This report details the proposed Strategy for 2024/2025.
- 1.14 This Strategy covers:
 - ◆ The debt and investment projections
 - ◆ Outlook in interest rates
 - ◆ The borrowing and investment strategies
 - ◆ Treasury Management performance indicators
 - ◆ Specific limits on treasury management activities
- 1.15 The requirements of the Local Government Investments (Scotland) Regulations 2010 have been incorporated within the 2024/2025 Strategy, including the preparation of an investment strategy which must be approved by the full Council.
- 1.16 Members should note that the forecasts contained within this report are indicative, assuming the approval of the 5-year Capital Programme 2024/2025 to 2028/2029 at the Policy and Strategy Committee on 14th March 2024, based on current confirmed resources. Material changes to the estimates/forecasts provided within this Treasury Management strategy and Prudential indicators will be reported during the quarterly Treasury Management Monitoring Process.

2. Annual Borrowing Requirement 2024/2025

- 2.1 At the beginning of 2024/2025, it is anticipated that the Council's total debt outstanding including long term liabilities will amount to £1,112.6m. The Capital Programme for the period 2024/2025 to 2028/2029 will be reviewed on a continual basis by the Strategic Capital Delivery Group (SCDG), including any re-profiling adjustments required. On this basis, it is currently anticipated that during 2024/2025 there will be a total capital investment of £312.3m which comprises the General Fund Community Investment programme of £156.5m and the Housing Revenue Account programme of £155.8m.
- 2.2 The forecast capital expenditure will be resourced by capital grants, external contributions and capital funded from current revenue (CFCR) of £95.4m, with the balance of £216.9m representing capital investment funded by borrowing. This represents an in year borrowing need, which will contribute towards the net increase in the Capital Financing Requirement (CFR). Table 7 within Section 8 below sets out the forecast Capital Expenditure plans for the period 2024/2025 to 2028/2029.
- 2.3 During 2023/2024 the Council has primarily used a combination of internal cash balances / reserves, short term borrowing (<1 yr) and credits due to the scheduled principal repayments to the loans fund from service departments (annuity based) to meet its borrowing requirement and refinancing of long-term debt maturing in lieu of long-term borrowing where possible however long-term borrowing is undertaken when deemed appropriate. This strategy is adopted in light of interest rate expectations, management of carrying costs, and the availability of short-term borrowing up to 364 days at attractive rates. Whilst it will be kept under continual review, a similar borrowing strategy is anticipated during 2024/2025 with other funding sources utilised in lieu of future long-term borrowing, where possible, and in line with the borrowing strategy outlined below.
- 2.4 To meet the capital programme financing requirement, the replacement of maturing long-term debt and the maintenance of cash balances necessary to meet on going daily liquidity requirements, it is estimated that the Council will require to source long-term borrowing of £269.0m in 2024/2025, £243.5m in 2025/2026, £149.5m in 2026/2027, £170.0m in 2027/28 and £159.5m in 2028/29.

Treasury Management Strategy 2024/2025, Treasury Management Indicators and Prudential Indicators 2024/2025 to 2028/2029

- 2.5 These borrowing projections exclude temporary borrowing undertaken, with average levels held expected to be approximately £242.0m over the forecast period. This level of short-term borrowing can be attractive, due to generally lower rates. However, it should be noted that market rates have risen significantly as a result of a number of increases in the Bank of England Base Rate over the past 18 months, due to economic and inflationary pressures, but it is currently forecast that these rates are anticipated to stabilise over time as the base rate is forecast to be reduced by the Bank of England.
- 2.6 The Council's borrowing requirement is set firmly within the framework of wider Council activity and will be driven by 'The Plan for North Lanarkshire', the Capital Strategy and the Medium Term Financial Plan.

3. Interest Rates Outlook and Other Economic Updates

- 3.1 The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Council's treasury management strategy for 2024/25.
- 3.2 The Bank of England (BoE) base rate was increased by 5.25% in August 2023 before being maintained at this level for the rest of 2023.
- 3.3 The Bank of England forecasts a prolonged period of weak Gross Domestic Product (GDP) economic growth with the potential for a mild contraction due to ongoing weak economic activity. The BoE forecasts economic growth will likely stagnate through 2024 and forecasts that higher interest rates will constrain GDP economic growth, which will remain weak over the entire forecast horizon.
- 3.4 The outlook for CPI inflation is deemed to be highly uncertain, with upside risks to CPI falling to the 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling slowly, but taking until early 2025 to reach the 2% target before dropping below target during the second half 2025 and into 2026.
- 3.5 Arlingclose forecast that the base rate has peaked at 5.25% despite UK inflation and wage growth remaining elevated. Arlingclose forecasts that the BoE will start reducing rates in 2024 to stimulate the UK economy but will be reluctant to do so until it is sure that there will be no lingering second-round effects. Arlingclose forecasts rate cuts from Q3 2024 to a low of around 3% by early to mid 2026.
- 3.6 Arlingclose expects long-term gilt yields to be broadly stable at current levels (amid continued volatility), following the decline in yields towards the end of 2023, which reflects the expected lower medium-term path for base rate. Yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.
- 3.7 Movements in supply and demand for UK gilts heavily influence the gilt prices and yields, with corresponding movements up or down in the PWLB interest rates reflecting the perception of improved stability or increased uncertainty in both the UK and other non-UK financial markets respectively.
- 3.8 Annex D provides details of the forecast official Bank rate, 3-month money market rate and PWLB rates over the next five years which are underpinned by the economic risks and uncertainties outlined in the preceding paragraphs above.
- 3.9 The Council's main source of borrowing is the Public Works Loan Board (PWLB), with PWLB lending generally available at 100bps (1.00%) above UK gilt prices with any forecast movements in PWLB interest rates closely correlated to gilt movements.

Treasury Management Strategy 2024/2025, Treasury Management Indicators and Prudential Indicators 2024/2025 to 2028/2029

- 3.10 Table 1 below includes forecast average PWLB rates anticipated for a range of maturity periods over the next 3 years based on the forecast per Annex D. The interest rates shown take account of the 0.20% reduction in the standard rates which will apply if the Council, as expected, meets the qualifying criteria for the certainty rate in 2024/2025. Please note as per para 4.21 that there is an additional discount available on PWLB rates of 0.4% for qualifying HRA borrowing that relates to 2024 and 2025 only.

| Annual Average | Bank Rate | 3 months Money Market Rate | PWLB Rates | | | |
|----------------|-----------|----------------------------|------------|---------|---------|---------|
| | | | 5 Year | 10 Year | 20 Year | 50 Year |
| 2024 | 5.06% | 5.16% | 4.50% | 4.60% | 5.00% | 4.66% |
| 2025 | 3.88% | 3.88% | 4.23% | 4.55% | 5.00% | 4.70% |
| 2026 | 3.00% | 3.05% | 4.15% | 4.50% | 5.05% | 4.75% |
| 2027 | 3.00% | 3.05% | 4.15% | 4.50% | 5.05% | 4.75% |
| 2028 | 3.00% | 3.05% | 4.15% | 4.50% | 5.05% | 4.75% |

Table 1 - Medium Term Interest Rate Estimates (averages)

- 3.11 These projections underpin the borrowing and investment strategies outlined in the following paragraphs.

4.0 Annual Borrowing Strategy 2024/2025

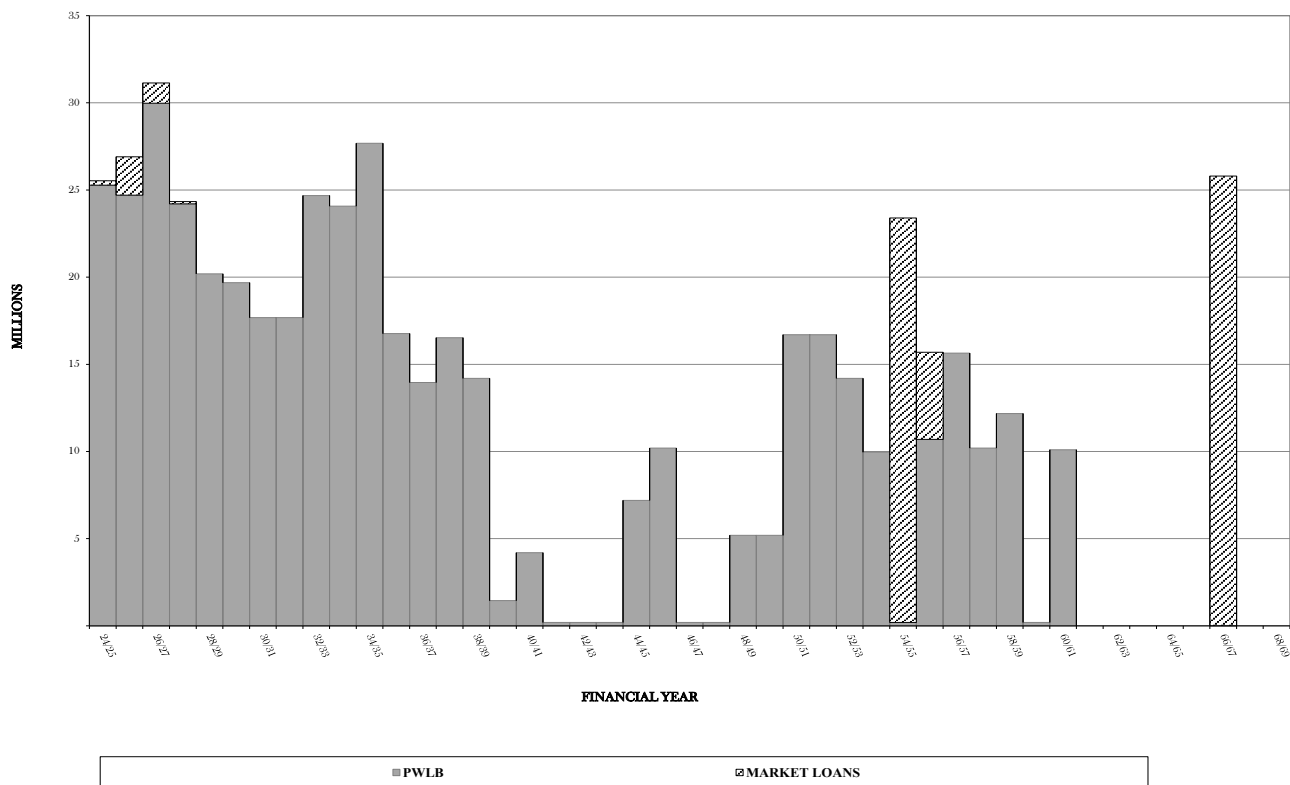
- 4.1 The Council uses a combination of internally accumulated cash funds i.e. its revenue reserves/balances plus working capital, temporary borrowing (up to 364 days) and external borrowing from both the markets and PWLB, to fund its capital financing requirement (CFR). This minimises the amount of investment balances held, managing credit and counterparty risk and the impact of low investment returns, resulting in the Council currently being in an under borrowed position, which is in line with the strategic approach adopted.
- 4.2 The borrowing strategy to meet the current year (2023/2024) capital programme financing requirement of £169.0m (excluding credit arrangements), has been to use a combination of internal cash balances, and short-term borrowing where available at attractive rates plus credits due to the scheduled principal repayments, in lieu of future long-term borrowing where possible, however long-term borrowing has been taken when deemed appropriate. This strategy is supported by efficient cashflow management, interest rate outlook, forecast balance sheet analysis of reserves and provisions, and effective treasury risk management. It is proposed that a similar borrowing strategy be adopted where possible to meet the financing requirement of £216.9m in 2024/2025.
- 4.3 The successor to IAS17 Leases, IFRS16 Accounting for Leases is applicable for Local Authorities from 1 April 2022. An optional two-year delay was announced, and each authority had the choice of when to implement this new standard, but by no later than 1st April 2024. Implementation will, dependent upon the nature of the financing and business model, require costs previously presented as revenue costs, restated and shown as capital expenditure under a credit arrangement. When implemented, it is currently anticipated this will primarily impact upon the current accounting treatment for vehicles plant and equipment (VPE), acquired under operating lease arrangements, as well as impacting on PPP contract liabilities, with a forecast increase in the Council's 2024/2025 Capital Financing Requirement of approximately £88.7m (PPP £86.4m, VPE £2.3m). This is reflected in Table 7 within Section 8.0 below.
- 4.4 For 2024/2025, it is anticipated that the Capital Financing Requirement will increase by £276.6m, which comprises the capital investment funded by borrowing and movement in balances held under credit arrangements due to implementation of IFRS16 Accounting for Leases.

Treasury Management Strategy 2024/2025, Treasury Management Indicators and Prudential Indicators 2024/2025 to 2028/2029

- 4.5 It is estimated that the Council will require to source long-term borrowing of £269.0m in 2024/2025, £243.5m in 2025/2026, £149.5m in 2026/2027, £170.0m in 2027/28 and £159.5m in 2028/29 to meet the on-going capital financing requirements, the replacement of maturing long-term debt and the maintenance of cash balances necessary to meet on going daily liquidity requirements.
- 4.6 These borrowing projections exclude monies borrowed and repayable over a shorter period, with average levels held expected to be approximately £242.0m over the five-year period. This level of short-term borrowing is attractive due to lower rates generally available.
- 4.7 The Council's capital expenditure planning processes and investment/borrowing analysis enables it to time its borrowing to take advantage of opportunities that may arise to achieve beneficial borrowing rates, minimising interest rate risk.
- 4.8 The timing of new borrowing will also take into account the level of cash balances and investments held so that there may be an option of postponing borrowing and continuing to use these balances in the short term.
- 4.9 The Councils borrowing strategy will be underpinned not only by the absolute borrowing rates but also the relationship between short and long-term interest rates. This difference creating a 'cost of carry' for any new longer term borrowing where the proceeds of borrowing are temporarily held as investments because of the difference between what is paid on the borrowing and what is earned on the investment.
- 4.10 The Council will closely monitor movements in long and short-term interest rates to manage its interest rate risk.
- 4.11 The repayment terms of new borrowing will take account of the debt maturity profile to ensure that an acceptable amount matures in any one year, managing the refinancing risk, whilst being undertaken at the most advantageous rate.
- 4.12 The forecast debt maturity profile at the 31 March 2024 per the graph below highlights that there are a number of points in the maturity spectrum at which the Council has little or no debt due for repayment. In general, the current maturity profile provides the Council with flexibility in determining the maturity period for new borrowing, whilst ensuring the strategy adopted minimizes the debt interest costs.
- 4.13 It should be noted that the debt maturity profile per the graph is based on the maturity date of LOBO (Lender's Option Borrower's Option) loans, whilst noting the Code requires the Council to classify LOBO type loans as having a potential maturity in the year where options or calls exist. A LOBO option is called, when the lender exercises its right to amend the interest rate, at which point the Council can accept the revised terms or reject them and repay the loan.

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Forecast Long Term Debt Maturity Profile 31 March 2024



4.14 The Council currently has a £3.0m exposure to LOBO loans which can be called within 2024/2025, which represents less than 0.57% of the projected long-term debt held at the 31 March 2024 of £526.130m. The interest rates on the LOBO loans held range from 10.625% to 10.937%, averaging 10.781%.

4.15 A comparison of the LOBO loan option 2024/2025 call dates to the maturity date is provided within Table 2 below:

| Loan Value | 2023/2024 Call Dates | Year of Maturity | Current Interest Rate |
|------------|-----------------------|------------------|-----------------------|
| £2,000,000 | 1st June & 1 December | 2025/2026 | 10.6250% |
| £1,000,000 | 3 April & 3 October | 2026/2027 | 10.9375% |

Table 2 - LOBO Loans Summary

4.16 Based on the current and the forecast interest rates, the likelihood of these loans being called has been assessed as minimal. In the event that the call option is exercised, the default position will be the repayment of the LOBO without penalty, with the associated treasury management risks (refinancing/interest rate/liquidity) managed in line with the borrowing strategy for other maturing debt.

4.17 The Council's Treasury Management advisors provide forecasts of interest rates for different maturity dates in future years. Using these forecasts, it is projected over the years 2024/2025 to 2028/2029, the PWLB borrowing rates may average between 4.15% and 4.50% (up to 5 years) and between 4.66% and 4.75% (up to 50 years).

4.18 Uncertainty over future interest rate movements increases the risks associated with treasury management borrowing activity, therefore it should be noted, that the period over which any new borrowing is taken will be guided by movements and fluctuations in the interest rate yield curve and capital financing requirement.

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4.19 No more than 25% of the total debt outstanding shall be taken from any one lender at any one time, except for borrowing from Public Works Loan Board (or its successor body), unless expressly approved by the Chief Officer (Finance) in line with current policy.

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- 4.20 The Council must apply annually to be eligible for a certainty rate discount. The Council was successful in its application to the PWLB in April 2023, meeting the criteria and obtaining eligibility for the certainty rate discount on PWLB loans, accessible from 1 April 2023. Note within Table 1 above the medium-term interest rate average forecasts for the PWLB interest rates include the 20 basis point (bps) discount.
- 4.21 A new PWLB HRA rate, which is 0.4% below the certainty rate, has been available from 15th June 2023. This rate has recently been extended until June 2025, and is to support local authorities to borrow for Housing capital purposes or refinancing existing loans. In conjunction with our treasury advisors, we continue to review the requirements and assess the borrowing opportunities for the Council.
- 4.22 The Council will consider a number of borrowing structures in 2024/2025 which will include;

- **Internally accumulated cash funds.**

The Council may temporarily use its cash backed revenue reserves/balances plus working capital to support its capital programme generally known as internal borrowing, in lieu of future short and long-term borrowing. This approach may be adopted to manage the level of investment balances held, managing credit and counterparty risk and the impact of low investment returns and cost of carry.

- **Short-term Borrowing**

The Council may borrow on a temporary basis (up to 364 days) which would significantly reduce the carrying costs whilst managing the refinancing and interest rate risk. For example, for loans up to 364 days, other local authorities generally offer better terms than those of the PWLB for a 1 year loan, with this option therefore being more attractive. This may also be used to meet cashflow demands to manage temporary fluctuations in cash balances held on a daily basis.

- **PWLB Variable Rate Loans**

These loans are available for periods of up to 10 years with the interest payable generally linked to movements in short term rates. Liquidity within the short-term borrowing market may supercede the potential benefits of this type of borrowing.

- **PWLB Fixed Rate Maturity Loans (< 20 years)**

New loans for periods up to 20 years, which fit in with the existing debt maturity profile, are attractive, providing relatively low refinancing risk as although short-term rates are currently at a 15 year high but are expected to fall in the coming years and are therefore likely to be more cost effective over the medium-term. These could offer greater flexibility to repay/reschedule on beneficial terms in the future, depending on the volatility of interest rates.

- **PWLB Equal Instalment Payment and Annuity Loans (< 30years)**

These loans are different from fixed rate maturity loans as the repayments are made up of both interest and principal with the principal outstanding reducing at 6 monthly intervals throughout the life of the loan, with corresponding reduction in interest payments on the balance outstanding. The interest rates payable are lower than the fixed rate maturity loans for short and medium dated maturities with an additional benefit being a smoother debt maturity profile on the debt e.g. £2.5m every year for 10 years as opposed to £25m payable in 10 years. This also spreads the refinancing risk and may also present beneficial opportunities dependent upon the interest yield curve at the time repayments are due.

- **Medium/Long Term Fixed PWLB Loans (> 20 years)**

These loans will be considered in conjunction with managing the current debt maturity profile, the higher interest rate profile and the additional cost of carry. These loans currently offer less flexibility in terms of debt restructuring as a result of PWLB Circular 147, which left the premature repayment rates unaltered. As a result, these are currently the least attractive option but circumstances will be monitored to identify beneficial opportunities to source PWLB loans within this maturity spectrum.

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- **Market Loans**

At present availability is limited, but in the future these loans may become more attractive given the 0.80% margin on PWLB loan rates, as these loans could be cheaper than similar long term PWLB loans despite this being partially offset by the certainty rate. In addition to the possibility of advantageous interest rates, there is also the ability to fix the rate for receipt at a date in the future, avoiding the cost of carry for example to cover future maturities in the period 2024/2025 to 2028/2029.

- **Local Authority Bonds**

Local authority bonds can be issued by a public stock exchange listing, a private placement or a retail bond but would only become a viable option if the size of funds to be borrowed reached a minimum of £150m. Prior to undertaking a bond issuance, the Council would carry out a due financial diligence process. Factors to be considered would be the type of bond issue e.g. index linked, the set-up costs, the timing of the issue, the potential cost of carry, the credit rating process, the projected long term capital financing requirement position and the nature of the projects being funded e.g. income streams index linked.

- **Leasing**

On occasions, leasing will be used if an option appraisal review identifies this as being advantageous to the Council.

4.23 As part of its borrowing strategy, the Council will seek to identify and evaluate opportunities for debt rescheduling to accrue potential benefits including:

- achievement of cash interest savings, without exposing the Council to additional risk;
- ensuring a more balanced maturity profile and volatility ratio; and
- achieving the desired borrowing strategy.

4.24 The Council will continue to monitor its debt portfolio and movements in interest rates across PWLB interest rate structures, to identify opportunities to generate interest savings, whilst strategically managing any premiums or discounts incurred as a result of the rescheduling/restructuring.

4.25 The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 legislation enacted on 1 April 2016 and associated Local Government Circular 7/16 Statutory Guidance on Loans Fund Accounting provide the legislative background governing the Council's borrowing activity.

5.0 Annual Investment Strategy 2024/2025

5.1 Investment Regulations

5.1.1 The Investment Regulations became statutory instruments by force of the Scottish Parliament on the 1 April 2010 in conjunction with the associated Code on the Investment of Money by Local Authorities. This requires the Council to approve all the types of investments to be used and set appropriate time and money limits for the amount that can be held in each investment type. These types of investments are termed permitted investments and any investments used which have not been approved as a permitted investment will be considered as ultra vires.

5.1.2 Following a Markets in Financial Instruments (MiFID III) directive, from the 3 January 2018, local authorities were to be treated as retail clients, with the option to opt up to professional status provided certain criteria was met. The Council continues to meet the conditions to opt up to professional status and therefore continues to have access to products including money market funds, pooled funds, treasury bills, bonds shares and to financial advice.

5.2 Risk Management

5.2.1 In accordance with the revised code, the Council recognises the importance of risk management and the effective management of all the associated treasury management risks encountered in working with the approved permitted list of investments. The treasury management risks and tools put in place to manage these risks include:

- **Credit and counterparty risk:** this is the risk of failure by a counterparty to meet its contractual obligations to the Council, particularly as a result of the counterparty's diminished

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creditworthiness and the resulting detrimental effect on the Council's capital or revenue resources. There are no counterparties where the risk is zero although AAA rated organisations have a very high level of creditworthiness. The Council has in place minimum credit criteria to determine which counterparties and countries are of high creditworthiness to enable investments to be made safely.

- **Liquidity risk:** this is the risk that cash will not be available when it is needed. While it could be said that all counterparties are subject to at least a very small level of liquidity risk, the Council measures this risk on whether or not, instant access to cash can be obtained from each form of investment. The Council has developed a detailed cashflow model to record known and forecast income and payment events arising in the short, medium to long term.
- **Interest Rate Risk:** This is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances against which the Council has failed to protect itself adequately. To manage this risk, the Council takes a view of the future course of interest rates and formulates a Treasury Management Strategy accordingly, aiming to maximise investment earnings and minimise borrowing costs, whilst giving full regard to other treasury management risk factors including security and liquidity.
- **Price Risk Management:** This risk primarily relates to financial instruments that are regularly traded in the various financial market exchanges. This is the risk that the Council is required to redeem this type of investment prematurely at prices above and below the price on which the financial instrument was originally purchased (par value) and thus be subjected to the market conditions prevailing at that time. If the investment is held to maturity the principal sum is guaranteed with it being redeemed at par value. The Council will only use those which appear on its permitted investment list, if their redemption price is not expected to vary much during its short life or for example in the case of treasury bills they offer a higher rate of return than depositing in the Debt Management Account Deposit Facility for a similar level of security.
- **Legal and Regulatory Risk:** This is the risk that the Council itself or an organisation with which it is dealing in its treasury management activities fails to act in accordance with its legal powers or regulatory requirements and the Council suffers losses accordingly. In the event of any doubt as to the legal and regulatory issues the Council has recourse to its own in-house legal services team and also the Council's appointed treasury advisors Arlingclose Ltd. The Council also currently has in place a highly experienced and qualified Treasury Management team.

5.3 Permitted Investments

5.3.1 The permitted investments which may be used in the forthcoming year are:

- a. Deposits with the Debt Management Account Facility (UK Government);
- b. Deposits with other local authorities or public bodies;
- c. Instant Access Accounts;
- d. Call Accounts;
- e. Term Deposits;
- f. Money Market Funds;
- g. Instant Access Funds held with Council's own bank;
- h. UK Government Gilts and Treasury Bills;
- i. Supranational Bonds (e.g. World Bank);
- j. Certificates of deposits with financial institutions (banks and building societies);
- k. Covered Bonds;
- l. Reverse repurchase agreements and other collateralised arrangements;
- m. Investment properties;
- n. Loans to third parties, including soft loans;
- o. Loans to a local authority company;
- p. Shareholdings in a local authority company;
- q. Non-local authority shareholdings;
- r. Subordinated debt in projects delivered via 'Hubco / DBFM' model

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- 5.3.2 In respect of Money Market funds (MMF) listed per f) above, these funds invest in high-quality short-term fixed income instruments and adhere to very strict credit quality, diversification and maturity guidelines with preservation of capital constituting the primary objective. Prior to January 2019, the Council used Constant Net Asset Value (CNAV) Funds meaning for every £1 of principal invested the fund will return £1 of principal on withdrawal by the investor, plus interest with preservation of capital the prime objective.
- 5.3.3 However on the 21 January 2019, as a result of MMF Industry reform, the CNAV funds are no longer available and on this date two types of funds became available to the Council:
- a Public Debt CNAV (assets invested in government debt); and
 - a 'Low Volatility NAV' (LVNAV) that is a hybrid between CNAV and VNAV
- 5.3.4 After scrutiny of the new products available, the Council continues to use money market funds, primarily using the LVNAV type as an investment instrument. It is worth noting that one of the main differences between the LVNAV and CNAV fund is the Council is no longer guaranteed preservation of capital i.e. for every £1 of principal invested the fund will no longer guarantee a return £1 of principal on withdrawal.
- 5.3.5 However, the day to day operation of LVNAV funds is very similar and has many of the attractive features of the CNAV fund and the probability of the price changing and loss of capital, within the boundaries set for price changes i.e. "the collar", is widely regarded as de minimis. Therefore the use of these investments continue to remain within the risk appetite adopted by the Council per its investment approach.
- 5.3.6 Bail-in legislation which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, is now fully implemented in the UK. Under the UK Financial Services Compensation Scheme and similar European Schemes most private sector investors are now partially or fully exempt from contributing to a bail-in. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options.
- 5.3.7 To manage the bail-in risk, covered bonds, reverse repurchase arrangements and other collateral arrangements with financial institutions are included within the permitted investment list. These investments are secured on the assets of the borrower, which limits the potential losses in the unlikely event of insolvency and would be exempt from bail-in.
- 5.3.8 Whilst there is no investment specific credit rating for these types of arrangements, the collateral upon which the investment is secured has a credit rating, with the highest of the collateral credit rating and the counterparty credit rating being used to determine cash and time limits. Note the combined secure and unsecured investments in any one bank should not exceed the cash limit for that counterparty.
- 5.3.9 Investments in subordinated debt in projects delivered via the 'Hubco/DBFM' model included within the permitted investments list will only be undertaken, following a full risk/benefit analysis, subject to a maximum investment amount of £1.5m per project and for a maximum term of 30 years.
- 5.3.10 For cash investments, there is a risk of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates and for term deposits and loans if they are redeemed early. Therefore, the Council will undertake these investments in conjunction with its cashflow/liquidity projections and medium-term financial plans to manage this risk.
- 5.3.11 Within the Treasury Management code, it suggests the use of financial derivatives but given that the legal power to use derivative instruments remains unclear, the Council does not intend to use derivatives. Should the legal position change, the Council may seek to develop a detailed and robust risk management framework, governing the use of derivatives, but prior to adoption, full Council approval will be sought.

5.4 Investment Security

- 5.4.1 Although the yield on investment is a key consideration, the primary principle governing the Council's investment criteria is the security of its investments.

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5.4.2 After this main principle the Council will ensure:

- It has sufficient liquidity in its investments, carefully selecting the maximum periods for which funds may prudently be committed also applying the Council's prudential and treasury management indicators covering the maximum principal sums invested.
- It maintains a policy covering the categories of investment types it will invest in, the criteria for choosing investment counterparties with adequate security, and to continually monitor security.

5.4.3 The Council minimises risk by identifying those financial institutions that it may invest in to maximise security and liquidity of investment including the specification of maximum time and money limits for each type of permitted investment offered by financial institutions. The counterparty must meet the relevant credit rating requirement with the focus being on the minimum acceptable quality adding a further security overlay to the investment activity of the Council.

5.4.4 The Council utilises the research of the world's foremost providers of independent credit ratings. The ratings defining the likelihood of an investor such as the Council receiving their money back on the terms in which it was invested. (Long term Rating types and definitions are shown in Annex B).

5.4.5 The Council defines 'high credit quality' organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market and other pooled funds, the Council defines a high credit rating as those having a credit of A- or higher. Investments with organisations with long term ratings in the BBB long term category will therefore be restricted by cash and maturity limits.

5.4.6 The Council also supplements its credit rating information by accessing and applying additional operational market information before making any specific investment decision from the agreed pool of counterparties.

5.4.7 This additional market information will be applied to compare the relative security of differing investment counterparties and will include:

- Credit Default swap prices;
- Quality financial press;
- Share prices;
- Government support status / Bank Resolution and Recovery Directive;
- Annual Reports;
- Statements to the market; and
- Financial Regulations;

5.4.8 Should this additional market information raise concerns regarding the security of a financial institution, then subject to further investigation this may also result in removal from the list.

5.4.9 The creditworthiness of counterparties will be monitored regularly. The Council receives credit rating information from Arlingclose Ltd (the Council's advisors) as and when ratings change and counterparties are checked promptly. If a rating change results in the counterparty failing to meet the Council's strict criteria, they are removed immediately from the list. Similarly, if a counterparty rating is updated and they meet the Council's strict criteria, they will be added to the list.

5.4.10 Full details of the Council's investment approach including the type of investments, treasury management risks, associated controls, credit rating, money and time limits are shown in Annex C. The credit rating criteria indicated within the Annex stipulates a long-term rating requirement as this is considered the ultimate driver of credit worthiness of financial institutions. This represents a rating agency view of an institutions capacity to honour its financial obligations and its vulnerability to foreseeable events. The Council in conjunction with its advisors will continue to monitor other information provided from credit rating agencies in terms of short term, individual rating, support rating and outlook.

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5.4.11 The Council will give due care when considering the country, group and sector exposure of the Council's investments and will endeavour to have no more than 25% placed with any non-UK country at any time. A group of banks under the same ownership will be treated as a single

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organisation for limit purposes with industry /sector activity monitored regularly for appropriateness.

5.4.12 Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making. Therefore, the Council requires to develop a formal ESG Policy, which may include ESG scoring or other real-time ESG criteria at an individual investment level. However, the framework for evaluating investment opportunities is still developing. In the meantime, when investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

5.5 Investment Strategy

5.5.1 The Council, by efficient cashflow management and balance sheet analysis, will identify its liquidity requirements and the core funds within its cash balances that could be locked in over a longer period up to the maximum limits as defined within Annex C. This will achieve the optimum performance, spreading investment periods and security of return, subject to over-riding credit counterparty security.

5.5.2 The 2024/2025 Treasury Management Strategy has been developed assuming that the annual borrowing requirement and debt repayments, net of credits due to the scheduled principal repayments to the loans fund, will be fully funded by undertaking external borrowing. Therefore, it is anticipated that the Council cash balances available for short term investment will average approximately £30.0m throughout the period 2024/2025 to 2028/2029.

5.5.3 This projected balance being subject to variation dependent upon actual level and timing of external borrowing undertaken, which will reflect positive and negative movements in working capital and level of revenue reserves/balances held during the 5 year period.

5.5.4 All investment activity will be governed by the principles laid out within sections 5.1 to 5.5 above and 5.7 below.

5.6 Borrowing and the Investment of Money

5.6.1 The Council will not borrow more than or earlier than required with the prime intention to profit from the investment return of the extra sums borrowed.

5.6.2 Borrowing in advance will only be taken for risk management reasons subject to sound justification. When considering borrowing in advance the Council will balance investment risks, such as the credit and interest risks resulting from the temporary investment of the proceeds of borrowing, against the risk of adverse interest rate movements if borrowing is deferred. Consideration will also be given to the existing debt maturity profile over the medium term.

5.6.3 The Council will appraise all risk associated with advance borrowing activity with subsequent reporting either within the mid-year or annual reporting mechanism. This report will comply with the minimum data and analytical requirements outlined within The Local Government Investments (Scotland) Regulations 2010.

5.7 Non Treasury Management Investment Activity

5.7.1 The CIPFA Treasury Management Code includes a section on Non Treasury Management investment activity, which would normally be for those investments made for policy reasons outside of normal Treasury Management Activity, and may include:

- service investments held clearly and explicitly in the course of the provision and for purposes of operational services
- commercial investments which are taken mainly for financial reasons and to achieve a financial return

5.7.2 Normal treasury management activity would cover those investments which arise from the organisation's cashflows and debt management activity and ultimately represent balances which need to be invested until cash is required for use in the course of the Council's normal business.

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5.7.3 For investments that fall outwith normal treasury management activity the Council will ensure that proper due diligence is carried out to ensure that there is a proper understanding as to:

- the powers under which the investment is made to ensure the activity is legal
- the service rationale behind the decision to undertake this type of investment
- the extent to which capital invested is placed at risk
- impact of any potential losses on the financial sustainability of the Council
- the specialist professional advice required to assist in the decision making process

5.7.4 The Council will carry out more careful risk assessment, as it recognises there may be instances where such investments do not give priority for security and liquidity over yield whether due the nature of the transaction itself e.g. commercial investments or for valid service reasons.

5.7.5 Effective scrutiny will be carried out and the justification behind the decision should be explicit, clearly outlining that it is within the Councils legal powers, the level of risk to both capital and returns, the requirement to seek specialist advice if sought and the potential impact on future sustainability if risks come to pass.

5.7.6 This would also include any external underwriting of those risks e.g. guarantees. Given the increase in Councils creating ALEO's and increasing partnership working, the Council may be asked to provide a financial guarantee to enable other parties to access funds which may not otherwise be available due to their size/ lack of credit history. This may also result in external funds being accessed at more favourable terms than they are likely to receive, which will accrue both an operational and financial benefit to the Council.

5.7.7 In general, a financial guarantee is a promise to take responsibility for another company's financial obligation if that company cannot meet its obligation. Prior to agreeing to the provision of a financial guarantee, due financial diligence of the terms of the financial guarantee must be carried out, including an assessment as to the likelihood of the guarantee being called and potential financial liability to the Council.

5.7.8 The responsibility for proper scrutiny and final approval is the Council's Chief Officer (Finance). Information in respect of non-Treasury Management investments must be clearly laid out and available within the Council's statutory accounts.

5.7.9 Following the PWLB consultation in the first half of 2020, the PWLB announced revised terms of engagement for borrowing in particular around non-Treasury Management activity. Of greater relevance in England and Wales, given recent activity, Councils are required to confirm there is no intention to borrow for the purposes of acquiring investment assets primarily for yield e.g. retail outlets, hotels in the current or next two financial years otherwise the facility may be suspended or withdrawn fully. The revised Prudential Code also makes it a requirement that local authorities must not borrow to invest primarily for financial return.

6.0 Performance Measurement Indicators & Benchmarking

6.1 The Code of Practice on Treasury Management requires the Council to use performance indicators to assess the adequacy of the treasury management function over the year and incorporate benchmarking to assess performance which is reported within the Annual Treasury Management Activity report. These are distinct historic indicators, which are additional to the predominantly forward-looking prudential indicators outlined in later sections of this report.

6.2 In respect of liquidity which is defined as the Council "having adequate, though not excessive cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives" (CIPFA Treasury Management Code of Practice) the Council will seek to maintain: Liquid short term deposits of at least £3m available on an overnight basis.

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6.3 This Council generally uses the following historic indicators to monitor its loan portfolio performance and benchmarking:

- ❖ **Borrowing:** Average rate of borrowing for the year compared to average in previous year.
- ❖ **Investments:** Local measures of yield benchmarks are the Council's average return on short term investment activity in comparison to:
 - 3 month money market rate
 - Council's own bank: Instant Access Account;
 - Council's Advisors benchmarking club

6.4 In the context of benchmarking security, this is a much more subjective area to assess. The Council currently evidences this by the application of minimum quality criteria to investment counterparties, through the use of credit ratings, supplied by the three main credit rating agencies, together with additional market information available as described earlier within this report and outlined within Annex C.

7.0 Treasury Management Local and Mandatory Indicators 2024/2025 to 2028/2029

7.1 Treasury Management Local Indicator: Interest Rate Exposure

7.1.1 Per the revised CIPFA TM code, the Council is no longer required to set a mandatory indicator for limits with regard to fixed and variable interest rate exposure. The Council will monitor its interest rate exposure by the local indicator shown in Table 3 below. The proportion of fixed interest rate costs to variable interest costs will be monitored on a quarterly basis to identify if there are any potential risks if interest rates were to move significantly upwards. The Council will also monitor debt maturity profile, the spend profile of the capital programme and also continue to adopt a prudent approach to use of internal balances in lieu of future long-term borrowing i.e. monitor under borrowing position. The economic outlook and interest rate forecast will supplement this on-going review of interest rate exposure.

| Content of loan portfolio | 2024/25 | | 2025/26 | | 2026/27 | | 2027/28 | | 2028/29 | |
|---|-------------|---------------|-------------|---------------|-------------|---------------|-------------|---------------|-------------|---------------|
| | £m | % | £m | % | £m | % | £m | % | £m | % |
| External Interest Council is due to pay: | | | | | | | | | | |
| Fixed rate loan debt | 45.1 | 99.3% | 57.4 | 99.6% | 64.0 | 100.0% | 70.3 | 100.0% | 78.2 | 100.0% |
| Variable rate loan debt | 0.3 | 0.7% | 0.3 | 0.4% | 0.0 | 0.0% | 0.0 | 0.0% | 0.0 | 0.0% |
| | 45.5 | 100.0% | 57.6 | 100.0% | 64.0 | 100.0% | 70.3 | 100.0% | 78.2 | 100.0% |
| External Interest Council is due to receive: | | | | | | | | | | |
| Investments - variable terms | 1.9 | 100.0% | 1.4 | 100.0% | 1.1 | 100.0% | 1.1 | 100.0% | 1.1 | 100.0% |
| Net Loan Interest Payments | 43.6 | | 56.2 | | 62.9 | | 69.2 | | 77.1 | |

Table 3 - Loan Indicators Interest Rate Exposures 2024/25 to 2028/29

7.1.2 Table 3 above relates only to external interest payments, excluding interest on revenue balances, and includes a number of assumptions regarding the timing and nature of the new borrowing anticipated. As mentioned previously the capital planning process and investment/borrowing analysis enables the Council to take advantage of opportunities that may arise, to achieve beneficial borrowing rates over the same period.

7.1.3 Table 3 highlights that the Council anticipates net loan external interest payments of approximately £43.6 million for 2024/2025. Of this total, £45.1 million relates to interest payable on fixed rate debt, for which interest payments are guaranteed until the loans mature, £0.3million for interest payable on variable rate debt, and (£1.9) million relates to interest receivable on funds invested. Variable rate loans and funds deposited are subject to changes in interest rates and will be monitored as part of the Council's Treasury Management Strategy on an ongoing basis.

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7.1.4 The table below highlights the estimated impact of a one basis point increase or decrease (e.g. 4.0% variable rate rising to 5.0% or falling to 3.0%) in interest rates to treasury management costs/income for next year. Fixed interest rate debt will not be affected by interest rate changes.

| Financial Year: 2024/2025 | Estimate £m | +1% £m | -1% £m |
|---------------------------|-------------|-----------|-----------|
| Net Impact on Council | (1.6) | (0.4) | +0.4 |

Table 4 - Sensitivity to Interest Rate Movements 2023/24

7.2 Treasury Management Mandatory Indicator: Maturity Structure of Borrowing

7.2.1 The Treasury Management Code requires the Council to specify upper and lower limits regarding the maturity structure of its long-term borrowing in order to minimise the risk associated with the Council having to replace large sums of long-term debt at a time when there may be uncertainty over interest rate exposure.

7.2.2 Table 3 illustrates that the Council has high levels of fixed rate debt however the current maturity profile of this debt is unlikely to be a major risk factor for the Council. The limits of fixed and variable rate maturity are set out within Table 5 below;

| Maturity Structure of Borrowing | <12 months | 12m to 2 years | 2 to 5 yrs | 5 to 10 yrs | 10 to 20 yrs | 20 to 40 yrs | 40 yrs+ |
|---------------------------------|------------|-------------------|---------------|----------------|-----------------|-----------------|---------|
| Upper limit - long term debt | 15.00% | 15.00% | 25.00% | 30.00% | 35.00% | 45.00% | 30.00% |
| Lower limit - long term debt | 0.00% | 0.00% | 5.00% | 5.00% | 5.00% | 10.00% | 0.00% |

Table 5 - Maturity Structure of Fixed Rate Borrowing

7.2.3 The upper limit for long-term rate debt, maturing in less than 12 months, is set at 15.0% to accommodate the requirement within CIPFA TM Code to recognise the possibility of the Council loans classified as LOBO type loans having their option or call exercised within the next 12 months, under the terms of the loans as described within paragraph 4.14 above.

7.3 Treasury Management Indicator: Credit Risk

7.3.1 The Council will manage its credit risk by implementing the investment strategy per Section 5 and remaining within the guidelines outlined within Annex C.

7.3.2 The Council has also adopted a voluntary measure of its exposure to credit risk by monitoring the value weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment and taking the arithmetic average weighted by the size of each investment.

| | |
|---------------------------------|--------|
| | Target |
| Portfolio Average Credit Rating | A- |

Table 6 – Credit Risk Indicator 2024/25

8.0 Prudential Indicators 2024/2025 to 2028/2029

8.1 Prudential Indicator: The Capital Expenditure Plans

8.1.1 The Prudential Code requires the Council to outline its capital expenditure plans taking into account the sources of funding available and also the cost to the council in supporting any additional borrowing burden which will require to be paid for from the Council's own resources. The Government has power to control the level of prudential borrowing although no control has yet been implemented. Some of the estimates for other sources of funding may also be subject to change over this timescale.

8.1.2 Table 7 sets out the revised Capital Expenditure plans for 2023/2024 (Revised) and forecast for the period 2024/2025 to 2028/2029 as per the 5 year Capital Programme to be approved by the Policy and Strategy Committee on 14 March 2024, and will be reviewed on a continual basis by the Strategic Capital Delivery Group (SCDG) including re-profiling adjustments within the 5 year programme. It should be noted therefore that the estimates presented within this report are based on the current forecasts of the progression of the programme and projected resources available.

Treasury Management Strategy 2024/2025, Treasury Management Indicators and Prudential Indicators 2024/2025 to 2028/2029

| Capital Expenditure | 2023/24 Revised £m | 2024/25 Forecast £m | 2025/26 Forecast £m | 2026/27 Forecast £m | 2027/28 Forecast £m | 2028/29 Forecast £m |
|---|--------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Capital Expenditure: General Services | 144.5 | 156.5 | 129.1 | 94.3 | 85.9 | 102.2 |
| Capital Expenditure: HRA | 134.4 | 155.8 | 183.9 | 138.5 | 173.9 | 153.9 |
| Total Capital by Expenditure | 278.9 | 312.3 | 313.0 | 232.8 | 259.8 | 256.2 |
| IFRS16: Vehicles & Buildings | 0.0 | 2.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| IFRS16: PPP Contracts | 0.0 | 86.4 | 0.3 | 1.0 | 2.1 | 4.1 |
| Service Concessions: PPP Schools | 44.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Capital by Credit Arrangements | 44.8 | 88.7 | 0.3 | 1.0 | 2.1 | 4.1 |
| Total Capital Investment | 323.8 | 401.0 | 313.3 | 233.7 | 261.9 | 260.3 |
| Financed By: | | | | | | |
| Capital Grants | 85.3 | 72.1 | 66.2 | 67.5 | 53.2 | 48.1 |
| Capital from Current Revenue | 23.2 | 20.1 | 16.1 | 19.3 | 21.3 | 22.8 |
| Capital Receipts | 1.5 | 3.3 | 5.0 | 3.0 | 1.5 | 4.0 |
| CFR: Borrowing: General Services | 81.9 | 114.9 | 91.3 | 48.5 | 52.9 | 67.3 |
| CFR: Borrowing: HRA | 87.0 | 102.0 | 134.4 | 94.5 | 130.9 | 114.1 |
| Credit Arrangements | 44.8 | 88.7 | 0.3 | 1.0 | 2.1 | 4.1 |
| Total Capital Funding Resources | 323.8 | 401.0 | 313.3 | 233.7 | 261.9 | 260.3 |

Table 7 - Capital Expenditure Plans 2023/24 to 2028/29

8.1.3 General Services within Table 7 above encompasses the Capital Financing Requirement, reflecting the borrowing needs, for the General Fund Community Investment Programme which includes Town and Community Hubs, Schools Modernisation, Digital Infrastructure and Innovation, Children & Young People, Asset Management Plan Priorities, and the City Deal whilst HRA includes the New Build, Buy Back Scheme and the Ambition programmes.

8.1.4 For 2024/2025, an estimate of £88.7m has been included to reflect the potential implications of IFRS16 Accounting for Leases in respect of the recalculation of PPP finance leasing arrangements and the reclassification for buildings, vehicle and plant currently accounted for as operational leases within revenue currently managed outwith the prudential framework until changes are adopted by the Council on 1 April 2024. This is a change in accounting for leases and does not represent cash expenditure.

8.1.5 For 2023/2024, £44.8m has been included to reflect the forecast impact due to implementation within 2023/2024 of a change in accounting for existing service concession agreements following the publication of new statutory guidance published in September 2022; *Local government finance circular 10/2022 – accounting for service concession arrangements, leases and similar arrangements*. It should be noted this change does not represent cash expenditure, nor does it impact the cash payments to the contractors for such arrangements.

8.2 Prudential Indicator: Capital Financing Requirement (CFR)

8.2.1 The CFR is essentially a measure of Council's underlying borrowing need i.e. capital expenditure which is not resourced by capital grants, receipts or CFR - and any new borrowing will increase the CFR. The CFR includes long term liabilities representing outstanding obligations under the education PPP, finance leasing arrangements and the projects in relation to Cumbernauld Academy/Theatre, the Clyde Valley Waste Facility plus IFRS16 implications from 2024/2025.

8.2.2 However the Council pays off an element of the accumulated capital spend each year through a revenue charge, comprising scheduled debt repayments from service departments (annuity based) which reduces the CFR. Committee is asked to approve the CFR projections at the 31 March for each financial year set out below.

Treasury Management Strategy 2024/2025, Treasury Management Indicators and Prudential Indicators 2024/2025 to 2028/2029

| Capital Financing Requirement | 2023/24 Revised £m | 2024/25 Forecast £m | 2025/26 Forecast £m | 2026/27 Forecast £m | 2027/28 Forecast £m | 2028/29 Forecast £m |
|-------------------------------|--------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| General Services | 894.0 | 1,081.8 | 1,155.9 | 1,185.8 | 1,220.0 | 1,269.0 |
| HRA | 515.0 | 603.8 | 723.2 | 800.3 | 912.6 | 1,005.4 |
| Total CFR | 1,409.0 | 1,685.6 | 1,879.1 | 1,986.1 | 2,132.6 | 2,274.4 |
| Movement in CFR | 189.5 | 276.6 | 193.5 | 107.0 | 146.5 | 141.8 |

Table 8 - CFR Projections 2023/24 to 2028/29

8.2.3 The year on year movement in CFR is shown in Table 9 below.

| | 2023/24 Revised £m | 2024/25 Forecast £m | 2025/26 Forecast £m | 2026/27 Forecast £m | 2027/28 Forecast £m | 2028/29 Forecast £m |
|------------------------------------|--------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| CFR : Borrowing : General Services | 81.9 | 114.9 | 91.3 | 48.5 | 52.9 | 67.3 |
| CFR : Borrowing : HRA | 87.0 | 102.0 | 134.4 | 94.5 | 130.9 | 114.1 |
| Credit Arrangements | 44.8 | 88.7 | 0.3 | 1.0 | 2.1 | 4.1 |
| Scheduled Loan Debt Amortisation | (21.5) | (24.4) | (27.9) | (31.8) | (34.3) | (38.3) |
| Leasing Amortisation | (0.5) | (1.0) | (1.0) | (1.1) | (0.8) | (0.8) |
| Education PPP Amortisation | (2.3) | (3.7) | (3.8) | (4.0) | (4.2) | (4.5) |
| Movement in CFR | 189.5 | 276.6 | 193.4 | 107.1 | 146.5 | 141.8 |

Table 9 - Movements in CFR 2023/24 to 2028/29

8.2.4 The scheduled loan debt, education PPP amortisation and credit arrangement figures presented within Table 9 above are based on the estimated profile of the 5 year Capital Programme 2024/2025 to 2028/2029, and implementation of the changes to accounting for service concessions as a result of Scottish Government fiscal flexibilities options in 2023/2024 and IFRS16 Accounting for Leases in 2024/2025.

8.3 Prudential Indicator: Gross Debt and the Capital Financing Requirement:

8.3.1 Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within well-defined limits. For the first of these the Council needs to ensure that its total borrowing, does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2024/2025 and the next two financial years.

| | 2023/24 Revised £m | 2024/25 Forecast £m | 2025/26 Forecast £m | 2026/27 Forecast £m | 2027/28 Forecast £m | 2028/29 Forecast £m |
|--------------------------------------|--------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Gross Borrowing : Loan Debt | 903.6 | 1,147.1 | 1,363.7 | 1,482.1 | 1,627.7 | 1,767.1 |
| Long Term Liabilities | 208.9 | 293.0 | 288.5 | 284.4 | 281.4 | 280.2 |
| Gross Debt | 1,112.6 | 1,440.1 | 1,652.2 | 1,766.5 | 1,909.2 | 2,047.2 |
| Capital Financing Requirement | 1,409.0 | 1,685.6 | 1,879.0 | 1,986.1 | 2,132.6 | 2,274.4 |
| Prudential Margin | 296.5 | 245.5 | 226.8 | 219.6 | 223.4 | 227.2 |
| Gross Debt =< Future 3 Year CFR | Yes | Yes | Yes | Yes | Yes | Yes |

Table 10 - Prudential Margins 2023/24 to 2028/29

8.3.2 The above table demonstrates that healthy prudential margins will continue to exist from 2024/2025 onwards and that the Council complies with this prudential indicator in the current year and does not envisage difficulties in the future. This view takes into account current commitments, existing plans and the proposals in respect of the capital investment levels proposed.

8.4 Prudential Indicator: Liability Benchmark

8.4.1 The Treasury Management Code states that organisations should evaluate the amount, timing and maturities needed for new borrowing in relation to planned borrowing needs, for example using a liability benchmark, in order to avoid borrowing too much, too little, too long or too short.

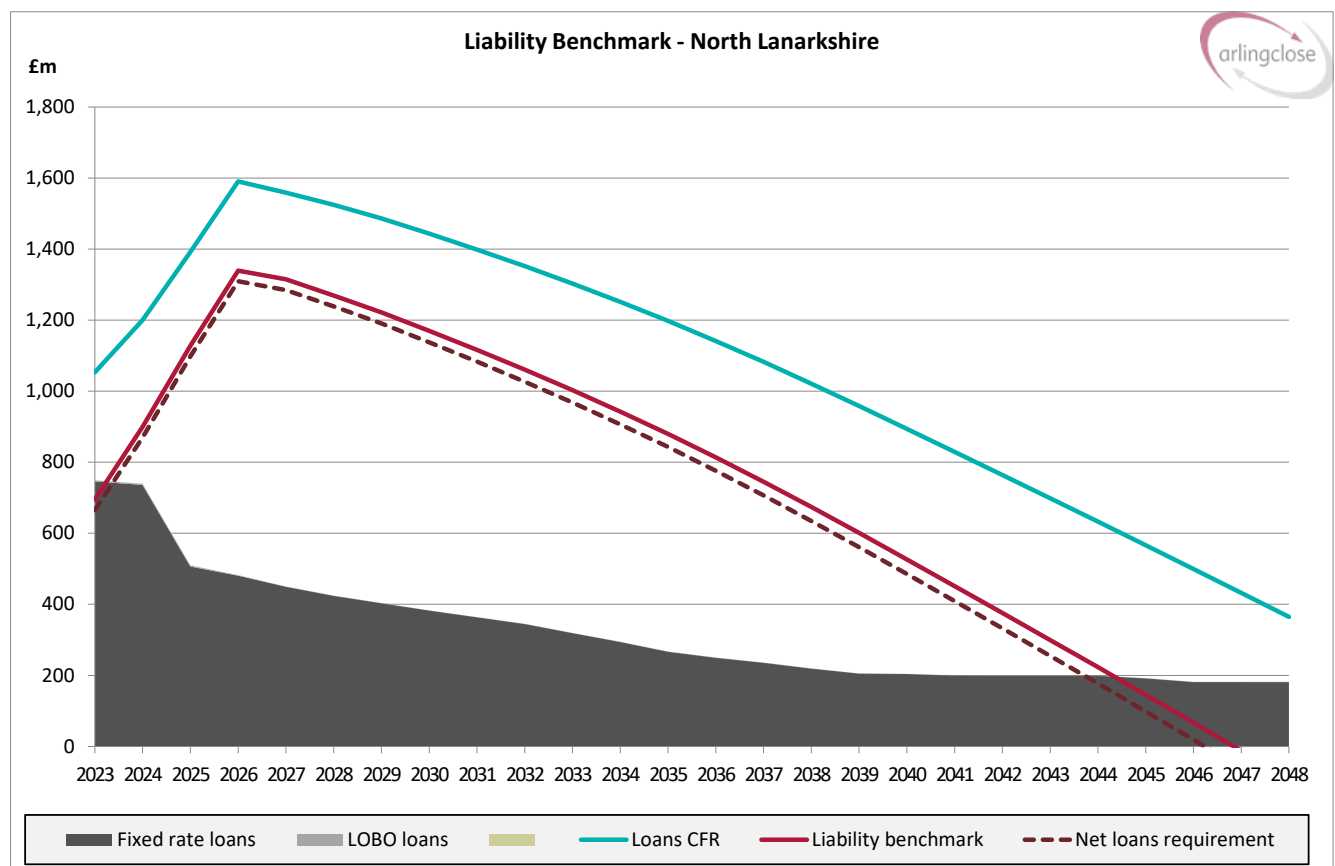
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The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shapes its strategic focus and decision making. Essentially this benchmark identifies the projection of external debt/ borrowing required over the long term to fund approved revenue & capital budgets, while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

8.4.2 This represents the comparison of the Council's actual borrowing against an alternative strategy. A liability benchmark has been calculated showing the lowest risk level of borrowing. This utilises the forecasts for Capital Financing Requirement, long-term liabilities, current external borrowing, balance sheet resources i.e. reserves, and that cash and investment balances are kept to a minimum of £30.0m at each year-end to maintain sufficient liquidity but minimise credit risk.

| | 31/3/23 Actual £m | 31/3/24 Forecast £m | 31/3/25 Forecast £m | 31/3/26 Forecast £m | 31/3/27 Forecast £m | 31/3/28 Forecast £m | 31/3/29 Forecast £m |
|-------------------------------|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Loans CFR | 1,052.7 | 1,200.1 | 1,392.6 | 1,590.5 | 1,558.7 | 1,524.4 | 1,486.2 |
| less Balance Sheet Resources | (387.4) | (330.3) | (294.3) | (280.9) | (274.0) | (285.9) | (295.7) |
| Net Loans Requirement | 665.3 | 869.8 | 1,098.3 | 1,309.6 | 1,284.7 | 1,238.5 | 1,190.4 |
| plus: Liquidity Allowance | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 |
| Liability Benchmark | 695.3 | 899.8 | 1,128.3 | 1,339.6 | 1,314.7 | 1,268.5 | 1,220.4 |
| Existing Borrowing | 749.2 | 739.1 | 509.6 | 481.7 | 449.6 | 424.2 | 403.0 |
| New Borrowing Required | 0.0 | 160.6 | 618.7 | 857.9 | 865.1 | 844.3 | 817.4 |

8.4.3 This is shown in the chart below together with the maturity profile of the Council's existing borrowing;



8.4.4 The Loans CFR line (solid light blue) represents the total cost of the capital expenditure plans based on the estimated profile of the 5-year Capital Programme 2024/2025 to 2028/2029. This reduces over time as scheduled principal repayments are made to the loans fund. The Net Loans Requirement line (dotted red) represents the minimum external borrowing required to fund the current capital expenditure plans assuming all cash reserves and balances are utilised to offset borrowing requirements. The Liability Benchmark line (solid red) represents the estimated

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borrowing required, taken account of liquidity allowance required of £30.0m to be held to maintain liquidity and to manage day-to-day cashflows.

8.4.5 The solid grey section shows the maturity profile of current borrowing. The gap between the grey section and the liability benchmark line represents the estimated additional borrowing that is forecast will be required to fund the current capital expenditure plans, via long-term and short-term borrowing options.

8.5 Prudential Indicator: The Authorised Limit for External Debt.

8.5.1 This represents the maximum limit beyond which borrowing is prohibited. Although this limit is deemed to be affordable in the short-term, it is not desirable or a sustainable level of borrowing for the council and is therefore being set at a level as the maximum allowable in each of the years 2024/2025 through to 2028/2029. The initial level set for 2023/2024 is shown for comparison. The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 provide a statutory backing to the Prudential Code requirement for an authority to set an authorised limit for external debt.

| Authorised Limit | 2023/24 Initial Limit £m | 2024/25 Estimated £m | 2025/26 Estimated £m | 2026/27 Estimated £m | 2027/28 Estimated £m | 2028/29 Estimated £m |
|-----------------------------|--------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Gross Borrowing : Loan Debt | 1,300.0 | 1,515.0 | 1,685.0 | 1,805.0 | 1,940.0 | 2,040.0 |
| Long Term Liabilities | 255.0 | 340.0 | 335.0 | 330.0 | 325.0 | 320.0 |
| Total External Debt | 1,555.0 | 1,855.0 | 2,020.0 | 2,135.0 | 2,265.0 | 2,360.0 |

Table 11 - Authorised Limit 2023/24 to 2028/29

8.6 Prudential Indicator: The Operational Boundary for External Debt.

8.6.1 This indicator is based on the expected maximum external debt during the course of the year; it is not a limit. This operational boundary allows flexibility to borrow, re-invest and undertake debt restructuring during the course of the year. It is therefore possible and acceptable, for actual borrowing to vary around this boundary for short periods during the year.

| Operational Boundary | 2023/24 Initial Limit £m | 2024/25 Estimated £m | 2025/26 Estimated £m | 2026/27 Estimated £m | 2027/28 Estimated £m | 2028/29 Estimated £m |
|-----------------------------|--------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Gross Borrowing : Loan Debt | 1,250.0 | 1,465.0 | 1,635.0 | 1,755.0 | 1,890.0 | 1,990.0 |
| Long Term Liabilities | 255.0 | 340.0 | 335.0 | 330.0 | 325.0 | 320.0 |
| Total External Debt | 1,505.0 | 1,805.0 | 1,970.0 | 2,085.0 | 2,215.0 | 2,310.0 |

Table 12 - Operational Boundary 2023/24 to 2028/29

8.7 Prudential Indicators: Affordability

8.7.1 The previous sections cover the treasury management and overall capital and control of borrowing prudential indicators, but within this framework, prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the overall Council finances. The Council is asked to approve the following affordability indicator.

8.8 Prudential Indicator: The Proportion of Financing Costs to Net Revenue Stream.

8.8.1 Since capital expenditure impacts on the revenue budget through financing charges, the Council needs to ensure that financing costs not only remain affordable, but also do not constitute an excessive proportion of the revenue resources available. The proportion of capital financing costs to revenue forecasts for the next 3 years are illustrated in Table 13 below showing that the General Services loan charges represent up to 7.46% of the total revenue budget available. The increase in the proportion still remains within the 10% threshold demonstrating that the capital programme investment appears to be affordable and sustainable.

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8.8.2 In noting the percentage on loan charges within the HRA budget, a major element of revenue costs in the Housing Account is the funding support to sustain the substantial investment programme; the other main elements of expenditure being repair costs and management costs. The level of loan charges is acceptable and deemed prudent and affordable within the framework of the Council's 30-year Housing investment plan.

| Proportion of Financing Costs to Net Revenue Stream | 2024/25 Estimated £m | 2025/26 Estimated £m | 2026/27 Estimated £m | 2027/28 Estimated £m | 2028/29 Estimated £m |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Total General Fund (GF) Loan Charges | 43.8 | 49.8 | 52.7 | 56.0 | 59.6 |
| Total General Fund Finance Lease / PPP Costs | 15.8 | 15.3 | 15.0 | 14.4 | 14.1 |
| Total General Fund : Capital Financing Costs | 59.6 | 65.1 | 67.7 | 70.4 | 73.7 |
| General Fund : Net Revenue Stream | 990.3 | 988.8 | 988.8 | 988.8 | 988.8 |
| GF - Proportion of Financing Costs to Net Revenue Stream | 6.01% | 6.58% | 6.85% | 7.12% | 7.46% |
| | | | | | |
| Total Housing Revenue Account (HRA) Loan Charges | 37.3 | 42.8 | 48.6 | 53.9 | 62.1 |
| Total Housing Revenue Account Finance Lease Costs | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Total HRA : Capital Financing Costs | 37.6 | 43.2 | 49.0 | 54.2 | 62.4 |
| HRA : Net Revenue Stream | 160.5 | 167.1 | 175.8 | 186.0 | 196.3 |
| HRA - Proportion of Financing Costs to Net Revenue Stream | 23.45% | 25.83% | 27.85% | 29.16% | 31.80% |

Table 13 - Proportion of Financing Costs to Net Revenue Stream 2023/24 to 2028/29

8.8.3 The scheduled loan debt, education PPP amortisation and credit arrangement figures presented within Table 9 above are based on the estimated profile of the 5 year Capital Programme 2024/2025 to 2028/2029, and implementation of the changes to accounting for service concessions as a result of Scottish Government fiscal flexibilities options in 2023/2024 and IFRS16 Accounting for Leases in 2024/2025.

8.9 Prudential Indicator: Affordability – Sensitivity Analysis

8.9.1 For the Prudential Indicators relating to affordability, the table within Annex E provides a summary of the sensitivity of the most likely outcomes outlined within the preceding paragraphs provided above to the following movements, all assessed independently of each other:

- (i) a plus or minus 10% change in the capital financing requirement i.e. the level of borrowing undertaken to retain average investment balances and under borrowing position at prudent levels.
- (ii) a plus or minus 50 bps change in the interest rates achievable for new long-term borrowing i.e. ½ percent movement
- (iii) a plus or minus 10% change in the net revenue stream used to calculate the proportion of financing costs to net revenue stream.

9.0 Policy on Repayment of Loans Fund Advances 2024/2025

9.1 The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 within Regulation 13 require the Council to make a loans fund advance equal to the amount of capital expenditure that the Council has determined will be financed by borrowing. The Capital Expenditure definition being that adopted by proper accounting practice, the statutory control framework and the Prudential Code.

9.2 Loans fund advances also incorporate grants to third parties on third party assets and loans to third parties where the other party meets the criteria laid out within Part 3 of the Regulations e.g. other local authorities or joint boards.

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- 9.3 Accounting for loans fund advances also changed from 1st April 2016. Prudent repayment of loans fund advances are required to be made in line with Scottish Government Statutory Guidance on Loans Fund Accounting (Circular 7/16).
- 9.4 The broad aim of prudent repayment is to ensure that the Authority's capital expenditure is financed over a period of years which that expenditure is expected to provide a benefit, and that each year's repayment amount is reasonably commensurate with the period and pattern of the benefits.
- 9.5 The statutory guidance requires the Council to approve a policy on loans fund repayments each year and it is proposed the Council adopts the following options for calculating prudent repayments in 2024/25.
- 9.6 For pre-existing Loans Fund advances made up to 31st March 2016 and for the most part capital expenditure plans for the period up to and including the 31 March 2021, the Council continued to use Option 1 the Statutory Method. This approach taking into account the 5-year transitional period from 31/3/2016 to 31/3/2021 available within the new guidance, during which the current methodology may continue to be selected. The repayment of Loans Fund advances therefore being equal to the annual amount determined in accordance with Schedule 3 of the Local Government (Scotland) Act 1975.
- 9.7 However the Council undertook an initial review of the loans fund advances annuity models in 2021/22 and a review of the initial asset lives adopted and determined it would be prudent to adopt Option 3: Asset Life Method, with the Council applying this option accordingly for 2020/2021. This approach allows a retrospective review for 'prudent repayment' of all historic loans fund advances outstanding at 31 March 2020 with no distinction made between debt held prior to 31 March 2016 and since the prudent repayment methodology was introduced on 1 April 2016.
- 9.8 Following this initial exercise, a further review was carried out during 2020/2021 in conjunction with Treasury specialists to investigate further adaptations to the repayments policy. Per the report submitted to this Committee on the 26 November 2020 entitled Loans Fund Advance Repayment Policy Review a revised policy was approved.
- 9.9 This included the application of a fixed average life to all loans fund advances, and changes to the annuity rate adopted to calculate loans fund advance repayments, including the retrospective adjustment to the period over which historic loans fund advance repayments can be made and applying this approach to future loans fund advances. The repayment periods and annuity rate can be updated in future years, if deemed prudent to do so, to reflect the changing nature and durability of assets financed by loans fund advances linked to Treasury Management strategy.
- 9.10 The revised Policy resulted in a revised loans fund advance repayment profile, the Council adopting the flexibility within the policy and will consider alternative approaches including reprofiling back to initial advance date. A prudent approach specific to the Council's financial position will be adopted including an assessment of the whole life impact both in nominal and NPV terms of this proposal.
- 9.11 Alternatively if it is determined that it may be prudent to recognise grant funding or other income streams when determining both the period of the repayment and/or the annual repayment of any loans fund advance, Option 4 Funding/Income profile method will be selected. Some examples of where this income approach may be considered prudent would include the deferred UK and Scottish Government grant support for the City Deal. Therefore, for capital expenditure incurred for specified projects where it is reasonable to link an income /funding stream, the annual repayment of Loans Fund advances may be profiled to reflect the income/funding stream. The Council will keep the income streams under review to ensure the provision for repayment remains prudent and, if required, address any shortfall.
- 9.12 The Statutory Guidance, allows a further option referred to as Option 2: the Depreciation method within the guidance and after due consideration the Council did not adopt this in 2021/2022.
- 9.13 In accordance with the Statutory Guidance, the Council has outlined within Annex F its commitments in respect of loans fund advance repayments, however these are based on the estimated profile of the 5 year Capital Programme 2024/2024 to 2028/2029 and the

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implementation of approved loans funds advance repayment policy and service concessions arrangements. Material changes to these estimates/forecasts will be reported during the quarterly Treasury Management Monitoring Process.

- 9.14 In accordance with the statutory guidance the HRA Loans Fund advances and associated annual repayments have been identified separately from that of the General Fund.

Treasury Management Policy Statement & Clauses adopted

The Treasury Management Policy Statement adopted by North Lanarkshire Council:

1. The Council defines its Treasury Management activities as:

“The management of the organisation’s borrowing investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
2. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council and any financial instruments entered into to manage these risks.
3. The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
4. The Council adopts a high-level approach to setting policies for borrowing and investment activity having in place an appropriate scheme of delegation and ensuring all staff employed in Treasury Management have the suitable skills and resources to carry out delegated treasury management activities effectively, efficiently and achieving value for money.

CIPFA Treasury Management code clauses formally adopted by North Lanarkshire Council:

1. This Council will create and maintain, as the cornerstones for effective treasury management:
 - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
 - Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
2. The Council will receive reports on its treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
3. The Council delegates responsibility for the development of the Treasury Management Strategy and implementation and monitoring of its treasury management policies and practices to the Finance and Resources Committee and for the execution and administration of treasury management decisions to the Head of Financial Solutions, who will act in accordance with the Council's Treasury Policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.
4. The Audit and Scrutiny Panel will be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies as part of its work on reviewing the internal financial controls of the Council.
5. In accordance with The Local Government Investments (Scotland) Regulations 2010, the Council is responsible for the approval of the Annual Investment Strategy and Annual Investment Report.

Explanation of Long-Term Rating Definitions

| Type of Rating | Rating | Explanation |
|-------------------------------|--------|--|
| Fitch – long-term | AAA | Indicates exceptionally <i>strong</i> capacity for timely payment of financial commitments and this capacity is highly unlikely to be adversely affected by foreseeable events. |
| | AA- | Indicates very <i>strong</i> capacity for timely payment of financial commitments and this capacity is not significantly vulnerable to foreseeable events. |
| | A- | Indicates <i>strong</i> capacity for timely payment of financial commitments. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings. |
| | BBB | Indicates an <i>adequate</i> capacity for timely payment of financial commitments but adverse business or economic conditions more likely to impair this capacity. |
| Moody's – long-term | Aaa | Offer <i>excellent</i> credit quality, with susceptibility to long-term risks that are mostly unlikely to materially impair the banks strong position. |
| | Aa | Offer <i>excellent</i> credit quality, with susceptibility to long-term risks with a vulnerability to greater fluctuations within protective elements. |
| | A | Offer <i>excellent</i> credit quality, but elements suggest a susceptibility to impairment over the long-term. |
| | Baa | Rated as <i>medium</i> grade, with some speculative elements and moderate credit risk. |
| Standard & Poor's - long-term | AAA | Indicates extremely <i>strong</i> capacity for timely payment of financial commitments |
| | AA- | Indicates very <i>strong</i> capacity for timely payment of financial commitments |
| | A- | Indicates <i>strong</i> capacity for timely payment of financial commitments This capacity may, nevertheless, be more susceptible to the adverse effects of changes in circumstances or in economic conditions than is the case for higher rated category. |
| | BBB | Indicates an <i>adequate</i> capacity for timely payment of financial commitments but adverse business or economic conditions more likely to impair this capacity. |

Permitted Investments, Associated Controls, Credit Rating, Money and Time Limits

| Type of Investment | Treasury Management Risks | Mitigating Controls | Credit Rating | | Money Limits | Time Limits |
|--|--|--|------------------|------------------------------------|--------------|-------------------------------|
| a. Deposits with the Debt Management Account Facility (UK Government). | Deposit with the UK Government and as such credit/counterparty and liquidity risk is very low, and there is no market risk to the principal sum. | Little mitigating controls required as this is a UK Government investment. The monetary limit is unlimited to allow for a safe haven for investments. The sovereign rating is monitored with the impact of any changes to this sovereign rating evaluated and removal of the investment from the permitted list if necessary. | Long-term rating | n/a | No limit | O/night |
| b. Deposits with other local authorities or public bodies | Quasi UK Government debt and as such credit/counterparty risk is very low, and there is no market risk to principal sum. Liquidity may present a problem as deposits can only be broken with the agreement of the counterparty, and penalties can apply. | Little mitigating controls required for local authority deposits, as this is a quasi UK Government investment. The sovereign rating is monitored with the impact of any changes to this sovereign rating evaluated and removal of the investment from the permitted list if necessary. | Long-term rating | n/a | £20m | Up to a max period of 3 years |
| c. Instant Access Accounts | These tend to be low risk investments, but will exhibit higher risks than categories (a) and (b) above. These investments are subject to risk of loss via bail-in should the regulator determine that the bank is failing or likely to fail. | Lending will be restricted to those counterparties meeting the credit rating criteria with the selection defaulting to the lowest available credit rating to provide additional risk control measures. Assessment of credit worthiness will be further strengthened by the use of additional market intelligence including credit default swaps, sovereign support and share price data. | Long-term rating | Above or equal to A- or equivalent | £20m | Daily access if required |
| | | | | BBB or equivalent | £10m | |

Permitted Investments, Associated Controls, Credit Rating, Money and Time Limits

| Type of Investment | Treasury Management Risks | Mitigating Controls | Credit Rating | | Money Limits | Time Limits |
|--------------------|--|---|------------------|------------------------------------|--------------|--------------------------|
| d. Call Accounts | <p>These tend to be low risk investments, but will exhibit higher risks than categories (a) to (c) above. With this type of investment liquidity can be low or high, determined by the call account facility adopted e.g. 35 days. Call deposits can only be broken with the agreement of the counterparty, and penalties may apply.</p> <p>These investments are subject to risk of loss via bail-in should the regulator determine that the bank is failing or likely to fail.</p> | <p>Lending will be restricted to those counterparties meeting the credit rating criteria with the selection defaulting to the lowest available credit rating to provide additional risk control measures. Assessment of credit worthiness will be further strengthened by the use of additional market intelligence including credit default swaps, sovereign support and share price data.</p> | Long-term rating | Above or equal to A- or equivalent | £20m | up to a max of 364 days |
| | | | | BBB or equivalent | £10m | up to a max of 30 days. |
| e. Term Deposits | <p>These tend to be low risk investments, but will exhibit higher risks than categories (a) to (d) above. With this type of investment, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply.</p> <p>These investments are subject to risk of loss via bail-in should the regulator determine that the bank is failing or likely to fail.</p> | <p>Lending will be restricted to those counterparties meeting the credit rating criteria with the selection defaulting to the lowest available credit rating to provide additional risk control measures. Assessment of credit worthiness will be further strengthened by the use of additional market intelligence including credit default swaps, sovereign support and share price data.</p> | Long-term rating | Above or equal to A- or equivalent | £20m | up to a max of 364 days. |
| | | | | BBB or equivalent | £10m | up to a max of 30 days. |

Permitted Investments, Associated Controls, Credit Rating, Money and Time Limits

| Type of Investment | Treasury Management Risks | Mitigating Controls | Credit Rating | | Money Limits | Time Limits |
|---|--|--|------------------|-----|--|--------------------------|
| f. Money Market Funds (MMFs) | <p>The Council is no longer guaranteed preservation of capital i.e. for every £1 of principal invested the fund will no longer guarantee a return £1 of principal on withdrawal.</p> <p>However the day to day operation of LVNAV funds is very similar and has many of the attractive features of the former Constant Net Asset Value (CNAV) fund and the probability of the price changing and loss of capital, within the boundaries set for price changes i.e. “the collar”, is widely regarded as de minimis.</p> | <p>Two types of funds are available to the Council</p> <ul style="list-style-type: none"> • a Public Debt CNAV (assets invested in government debt); and • a ‘Low Volatility NAV’ (LVNAV) <p>The Council will not use Variable NAV Funds.</p> <p>Assessment of credit worthiness will be underpinned by additional market intelligence including credit default swaps, sovereign support and share price data and information regularly received from the Council’s Treasury Advisors Arlingclose Ltd.</p> | Long-term rating | n/a | £10m per MMF fund up to a max of £40m in total or 0.5% of fund size. | Daily access if required |
| g. Instant Access Funds held with Council’s own bankers | <p>These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above.</p> <p>These investments are subject to risk of loss via bail-in should the regulator determine that the bank is failing or likely to fail.</p> | <p>If the council’s own bankers fail to meet the credit rating criteria per c) above , for operational purposes limited funds may be held within this account but the Council will ensure funds kept at the lowest levels manageable</p> | Long-term rating | n/a | n/a | Overnight basis only |

Permitted Investments, Associated Controls, Credit Rating, Money and Time Limits

| Type of Investment | Treasury Management Risks | Mitigating Controls | Credit Rating | | Money Limits | Time Limits |
|--|---|---|------------------|------------------|--------------|-------------------------------|
| h. Government Gilts and Treasury Bills | These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to the market value arising from an adverse movement in interest rates (no loss if these are held to maturity). | <p>Little mitigating controls required as this is a UK Government investment. The monetary limit is unlimited to allow for a safe haven for investments. Any changes to the sovereign rating is evaluated and the removal of this type of investment from the permitted list if necessary. Assessment of credit worthiness will be further strengthened by additional market intelligence including credit default swaps, sovereign support and share price data.</p> <p>Cashflow management tools will endeavour to ensure that this type of investment is held until maturity to limit market risk.</p> | Long-term rating | n/a | No limit | Up to a max period of 5 years |
| i. Supranational Bonds | These are bonds issued by institutions such as the European Investment Bank (EIB) and the World Bank as such counterparty and liquidity risk is very low, although there is potential market risk to principal amount arising from an adverse movement in interest rates (no loss if these are held to maturity). | <p>Lending restricted to those meeting credit rating criteria.</p> <p>Assessment of credit worthiness will be further strengthened by the use of additional market intelligence including credit default swaps, sovereign support and share price data.</p> <p>Cashflow management tools will endeavour to ensure that this type of investment is held until maturity to limit market risk</p> | Long-term rating | A- or equivalent | £20m | max period of 5 years. |

Permitted Investments, Associated Controls, Credit Rating, Money and Time Limits

| Type of Investment | Treasury Management Risks | Mitigating Controls | Credit Rating | | Money Limits | Time Limits |
|---|--|---|------------------|--|--------------|---------------------------------|
| j. Certificates of deposits with financial institutions | These are short dated marketable securities issued by financial institutions and as such counterparty risk is low, but will exhibit higher risks than categories (a) to (h) above. There is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will normally be low. | Lending will be restricted to those counterparties meeting the credit rating criteria with the selection defaulting to the lowest available credit rating to provide additional risk control measures. Assessment of credit worthiness will be further strengthened by the use of additional market intelligence including credit default swaps, sovereign support and share price data. | Long-term rating | A- or equivalent | £20m | Up to a max period of 364 days. |
| k. Covered Bonds | <p>These are bonds issued by financial institutions and guaranteed by a group company that holds mortgage assets. There is risk of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will normally be low as highly liquid market.</p> <p>These investments are exempt from the bail-in provisions should the regulator determine that the bank is failing or likely to fail.</p> | <p>These investments are secured on the borrower's assets up to a value of 125% of the principal amount which limits the potential losses in the event of default. Process in place to monitor the value of the cover arrangements throughout the bond term. i.e. value of assets providing security</p> <p>Bonds will be restricted to those meeting credit rating criteria. Assessment of credit worthiness will be further strengthened by the use of additional market intelligence including credit default swaps, sovereign support and share price data.</p> <p>Cashflow management tools will endeavour to ensure that this type of investment is held until maturity to limit market risk.</p> | Long-term rating | A- or equivalent (Criteria required for the covered bond.) | £20m | Up to 5 years. |
| | | | | BBB or equivalent (Criteria required for the covered bond.) | £10m | Up to 6 months. |

Permitted Investments, Associated Controls, Credit Rating, Money and Time Limits

| Type of Investment | Treasury Management Risks | Mitigating Controls | Credit Rating | | Money Limits | Time Limits |
|--|---|---|------------------|--|--------------|-----------------|
| I. Reverse repurchase agreements and other collateralised arrangements | <p>These are bonds issued by financial institutions with collateral provided by the lender to the Council by transferring the custody and title to bonds or other investment securities valued at a price above par e.g. 105% of the principal amount. There is risk of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will normally be low as highly liquid market.</p> <p>These investments are exempt from the bail-in provisions should the regulator determine that the bank is failing or likely to fail.</p> | <p>These investments are secured by the borrower giving the Council custody and title to marketable securities valued above par that will be retained in the event of default</p> <p>Process in place to monitor the value of the collateral in place throughout the bond term to ensure adequate cover.</p> <p>Collateral arrangements will be restricted to those meeting credit rating criteria.</p> <p>Assessment of credit worthiness will be further strengthened by the use of additional market intelligence including credit default swaps, sovereign support and share price data.</p> <p>Cashflow management tools will endeavour to ensure that this type of investment is held until maturity to limit market risk</p> | Long-term rating | A- or equivalent (Criteria required for collateral arrangement) | £20m | Up to 5 years. |
| | | | | BBB or equivalent (Criteria required for the collateral) | £10m | Up to 6 months. |

Permitted Investments, Associated Controls, Credit Rating, Money and Time Limits

| Type of Investment | Treasury Management Risks | Mitigating Controls | Credit Rating | Money Limits | Time Limits |
|--|---|---|---------------|---------------|----------------|
| m. Investment properties | These are non-service properties which are being held pending disposal or for a longer term rental income stream. These are highly illiquid assets with high risk to value (the potential for property prices to fall or for rental voids). Funding for this type of investment must be met from revenue & balances as borrowing to on-lend for this purpose is prohibited per Scottish Government Investment guidance. | In larger investment portfolios some small allocation of property based investment may counterbalance or compliment the wider cash portfolio. Property holding will be re-valued regularly and reported annually with gross and net rental streams. Strategy/Policy driven subject to scrutiny by Head of Financial Solutions. | n/a | Policy Driven | Policy Driven, |
| n. Loans to third parties including soft loans | These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid. Funding for this type of investment must be met from revenue & balances as borrowing to on-lend for this purpose is prohibited per Scottish Government Investment guidance. | Prior to awarding loans to a third party the Service Strategy/Policy decision to award this type of loan/loans must be subject to scrutiny and approval by the Head of Financial Solutions. Full detail of the service rationale behind awarding the loan and the likelihood of partial or full default must be assessed. | n/a | Policy Driven | Policy Driven, |
| o. Loans to a local authority company | These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid. Funding for this type of investment must be met from revenue & balances as borrowing to on-lend for this purpose is prohibited per Scottish Government Investment guidance. | Prior to awarding loans to a local authority company the Service Strategy/Policy decision to award this type of loan/loans must be subject to scrutiny and approval by the Head of Financial Solutions. Full detail of the service rationale behind awarding the loan and the likelihood of partial or full default must be assessed. | n/a | Policy Driven | Policy Driven, |

Permitted Investments, Associated Controls, Credit Rating, Money and Time Limits

| Type of Investment | Treasury Management Risks | Mitigating Controls | Credit Rating | Money Limits | Time Limits |
|---|--|--|---------------|---------------|---------------|
| p. Shareholdings in a local authority company | These are service investments which may exhibit market risk and are likely to be highly illiquid. Funding for this type of investment must be met from revenue & balances as borrowing to on-lend for this purpose is prohibited per Scottish Government Investment guidance. | Each equity investment in a local authority company requires member approval and each application will be supported by the service rationale behind the investment and the likelihood of loss. Service Strategy/Policy driven subject to scrutiny by Head of Financial Solutions. | n/a | Policy Driven | Policy Driven |
| q. Non-local authority shareholdings | These are non-service investments which may exhibit market risk, be only considered for longer term investments and will be likely to be liquid. Funding for this type of investment must be met from revenue & balances as borrowing to on-lend for this purpose is prohibited per Scottish Government Investment guidance. | Any non-service equity investment will require separate Member approval and each application will be supported by the service rationale behind the investment and the likelihood of loss. Service Strategy/Policy driven subject to scrutiny by Head of Financial Solutions | n/a | Policy Driven | Policy Driven |

Permitted Investments, Associated Controls, Credit Rating, Money and Time Limits

| Type of Investment | Treasury Management Risks | Mitigating Controls | Credit Rating | Money Limits | Time Limits |
|---|--|---|---------------|-------------------|----------------|
| r. Subordinated debt in projects delivered via 'Hubco/DBFM' model | <p>The 'Hubco/DBFM' delivery model fails to meet its' contractual obligations resulting in failure to repay the principal sum invested.</p> <p>The cash forming part of the Council's reserves and balances is required during the term of the investment as the type of investment is highly illiquid.</p> <p>Fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances against which the Council has failed to protect itself adequately.</p> | <p>The Council must assess the merits of each individual subordinated debt investment opportunity via the 'Hubco/DBFM' model prior to investing, carrying out a full risk/benefit analysis. Employ efficient cashflow management and forecasting tools including annual balance sheet analysis.</p> <p>Set a cap on the level of long term investments of this nature i.e. to avoid cash reserves being fully extinguished resulting in future non compliance with 'borrowing to on lend' restrictions. Implement Long term Financial Plans which are robust including the setting of contingencies and cash backed reserves at levels to leave prudent headroom to cater for long term cash commitments. Where possible consider selling subordinated debt to a secondary market provider.</p> <p>For investments in subordinated debt for projects delivered via the 'Hubco' model the rate of return is fixed over the term of the investment and in normal circumstances will not vary.</p> | n/a | £1.5m per project | Up to 30 years |

Interest Rate Forecast March 2024 until September 2026 (Source: Arlingclose Ltd December 2023)

| | 2024 | | | | 2025 | | | | 2026 | | |
|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Central Forecast | March | June | Sept | Dec | March | June | Sept | Dec | March | June | Sept |
| Official Bank Rate* | 5.25% | 5.25% | 5.00% | 4.75% | 4.25% | 4.00% | 3.75% | 3.50% | 3.25% | 3.00% | 3.00% |
| 3-mth MM Rate** | 5.40% | 5.30% | 5.15% | 4.80% | 4.30% | 4.10% | 3.80% | 3.50% | 3.25% | 3.05% | 3.05% |
| 5-yr PWLB*** | 4.55% | 4.55% | 4.50% | 4.40% | 4.30% | 4.30% | 4.20% | 4.10% | 4.10% | 4.10% | 4.15% |
| 10-yr PWLB | 4.60% | 4.60% | 4.60% | 4.60% | 4.60% | 4.60% | 4.55% | 4.45% | 4.40% | 4.45% | 4.50% |
| 20-yr PWLB | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.05% |
| 50-yr PWLB | 4.60% | 4.65% | 4.70% | 4.70% | 4.70% | 4.70% | 4.70% | 4.70% | 4.75% | 4.75% | 4.75% |

*Official Bank rate: (also called the Bank of England base rate or BOEBR) is the interest rate that the Bank of England charges Banks for secured overnight lending.

**MM: the short term readily available from banks and building societies and similar financial organisations

***PWLB: Public Works Loan Board

SENSITIVITY ANALYSIS OF PRUDENTIAL INDICATORS: AFFORDABILITY 2024/25 to 2028/29

The Tables below highlights the impact of

- (i) a plus or minus 10% change in the capital financing requirement i.e the level of borrowing undertaken to retain average investment balances and under borrowing at prudent levels

| <u>Prudential Indicators : Affordability</u> | <u>CFR Movement</u> | <u>24/25</u> | <u>25/26</u> | <u>26/27</u> | <u>27/28</u> | <u>28/29</u> |
|---|--------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | | £m | £m | £m | £m | £m |
| Total Composite Capital Financing Costs | +10% | 59.84 | 66.08 | 69.20 | 72.20 | 75.87 |
| | No Change | 59.56 | 65.09 | 67.75 | 70.39 | 73.75 |
| | -10% | 59.28 | 64.10 | 66.29 | 68.58 | 71.62 |
| Total HRA Capital Financing Costs | +10% | 37.85 | 44.03 | 50.60 | 56.51 | 65.52 |
| | No Change | 37.64 | 43.17 | 48.97 | 54.23 | 62.40 |
| | -10% | 37.43 | 42.30 | 47.34 | 51.94 | 59.28 |
| General Fund : Ratio of financing costs to net revenue stream | +10% | 6.04% | 6.68% | 7.00% | 7.30% | 7.67% |
| | No Change | 6.01% | 6.58% | 6.85% | 7.12% | 7.46% |
| | -10% | 5.99% | 6.48% | 6.70% | 6.94% | 7.24% |
| HRA : Ratio of financing costs to net revenue stream | +10% | 23.58% | 26.34% | 28.78% | 30.39% | 33.39% |
| | No Change | 23.45% | 25.83% | 27.85% | 29.16% | 31.80% |
| | -10% | 23.32% | 25.31% | 26.93% | 27.93% | 30.21% |

SENSITIVITY ANALYSIS OF PRUDENTIAL INDICATORS: AFFORDABILITY 2024/25 to 2028/29

(ii) a plus or minus 50bps change in the interest rates achievable for new long-term borrowing i.e. 1/2 per cent movement

| Prudential Indicators : Affordability | Interest Rate | 24/25 | 25/26 | 26/27 | 27/28 | 28/29 |
|---|----------------------|--------------|--------------|--------------|--------------|--------------|
| | Movement | £m | £m | £m | £m | £m |
| Total Composite Capital Financing Costs | +50bps | 60.41 | 66.84 | 69.92 | 72.89 | 76.51 |
| | No Change | 59.56 | 65.09 | 67.75 | 70.39 | 73.75 |
| | -50bps | 58.71 | 63.34 | 65.58 | 67.90 | 71.00 |
| Total HRA Capital Financing Costs | +50bps | 38.26 | 44.48 | 50.72 | 56.35 | 64.94 |
| | No Change | 37.64 | 43.17 | 48.97 | 54.23 | 62.40 |
| | -50bps | 37.01 | 41.86 | 47.23 | 52.12 | 59.88 |
| General Fund : Ratio of financing costs to net revenue stream | +50bps | 6.10% | 6.76% | 7.07% | 7.37% | 7.74% |
| | No Change | 6.01% | 6.58% | 6.85% | 7.12% | 7.46% |
| | -50bps | 5.93% | 6.41% | 6.63% | 6.87% | 7.18% |
| HRA : Ratio of financing costs to net revenue stream | +50bps | 23.84% | 26.61% | 28.85% | 30.30% | 33.09% |
| | No Change | 23.45% | 25.83% | 27.85% | 29.16% | 31.80% |
| | -50bps | 23.06% | 25.04% | 26.86% | 28.03% | 30.51% |

SENSITIVITY ANALYSIS OF PRUDENTIAL INDICATORS: AFFORDABILITY 2024/25 to 2028/29

(iii) a plus or minus 10% change in the net revenue stream used to calculate the proportion of financing costs to net revenue

| <u>Prudential Indicators : Affordability</u> | <u>Movement in</u> | | | | | |
|---|---------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>Net Revenue</u> | | | | | |
| | <u>Steam</u> | <u>24/25</u> | <u>25/26</u> | <u>26/27</u> | <u>27/28</u> | <u>28/29</u> |
| | | | | | | |
| General Fund : Ratio of financing costs to net revenue stream | +10% | 5.47% | 5.98% | 6.23% | 6.47% | 6.78% |
| | No Change | 6.01% | 6.58% | 6.85% | 7.12% | 7.46% |
| | -10% | 6.68% | 7.31% | 7.61% | 7.91% | 8.29% |
| | | | | | | |
| HRA : Ratio of financing costs to net revenue stream | +10% | 21.32% | 23.48% | 25.32% | 26.51% | 28.91% |
| | No Change | 23.45% | 25.83% | 27.85% | 29.16% | 31.80% |
| | -10% | 26.06% | 28.70% | 30.95% | 32.40% | 35.33% |

LOANS FUND REPAYMENT SCHEDULE

| Loans Fund Repayments Schedules | Composite Estimated Loans Fund Pool Open Balance | HRA Estimated Loans Fund Pool Open Balance | Total |
|---|---|---|------------------|
| | £m | £m | £m |
| Estimated Loans Fund Pool Open Balance | 686.4 | 513.7 | 1,200.1 |
| Estimated New Advances 24/25 | 114.9 | 102.0 | 216.9 |
| Estimated New Advances 25/26 | 91.3 | 134.4 | 225.8 |
| Estimated New Advances 26/27 | 48.5 | 94.5 | 143.0 |
| Estimated New Advances 27/28 | 52.9 | 130.9 | 183.8 |
| Estimated New Advances 28/29 | 67.3 | 114.1 | 181.3 |
| Total Debt Repayments Due | 1,061.1 | 1,089.7 | 2,150.8 |
| | | | |
| Scheduled Debt Amortisation | Composite | HRA | Total |
| | £m | £m | £m |
| Within 1 year | (11.3) | (13.0) | (24.4) |
| Within 2 to 5 years | (61.0) | (71.2) | (132.2) |
| within 5 to 10 years | (105.3) | (129.3) | (234.6) |
| within 10 to 15 years | (133.4) | (159.9) | (293.3) |
| within 15 to 20 years | (161.6) | (163.7) | (325.3) |
| within 20 to 25 years | (173.1) | (164.4) | (337.5) |
| within 25 to 30 years | (151.0) | (165.9) | (317.0) |
| within 30 to 35 years | (122.9) | (130.3) | (253.2) |
| within 35 to 40 years | (102.9) | (64.7) | (167.6) |
| within 40 to 45 years | (38.6) | (27.2) | (65.8) |
| within 45 to 50 years | 0.0 | 0.0 | 0.0 |
| within 50 to 55 years | 0.0 | 0.0 | 0.0 |
| within 55 to 60 years | 0.0 | 0.0 | 0.0 |
| | (1,061.1) | (1,089.7) | (2,150.8) |
| | | | |