

**Report to:** EXECUTIVE BOARD

**Date:** 5 June 2019

**Reporting Officer:** Executive Member (Finance & Economic Growth)  
Director of Growth - Jayne Traverse  
Assistant Director of Finance - Tom Wilkinson

**Subject:** **FUTURE OPTIONS FOR SERVICES DELIVERED THROUGH CONTRACTS WITH THE LOCAL EDUCATION PARTNERSHIP (LEP)**

**Report Summary:** This report sets out the options for services currently delivery by the Local Education Partnership (LEP). The LEP was established in February 2009 as a condition of the then government's flagship Building Schools for the Future (BSF) programme. The creation of the LEP, as a delivery vehicle, allowed the Council to access more than £400m of capital investment which enabled the Council to replace, rebuild and refurbish the majority of its secondary school estate, which, like most of the national school estate, were in poor condition and no longer suitable to modern educational needs. The Council's arrangement with the LEP was for an initial 10 year period with an option to extend for up to another 5 years, up to February 2024.

The BSF programme was a success and resulted in the replacement or modernisation of more than 20 primary and secondary schools across Tameside.

The LEP through its construction and facilities management delivery partner, Carillion, allowed additional capacity and expertise to be accessed by the Council. The Council maximised the flexibility of the LEP by folding some non-core, but poorly performing, services into the partnership. This released significant savings to the Council and improved statutory compliance across the estate.

The LEP currently provides a number of services that can be broken down into four areas:

- Primary School Catering
- Strategic Estates Management
- Capital Projects
- Facilities Management (FM)

Since the LEP's inception the operating environment has changed significantly. In particular the cancellation of the BSF programme, the financial squeeze of austerity, the collapse of Carillion in January 2018 and the schools academisation programme, mean that it is now the right time to review the arrangement.

The LEP was due to be reviewed in 2018, but the collapse of Carillion has meant that the Council has had to focus its energies and redirect resources on maintaining existing service continuity and completion of significant capital project Tameside One. The Council supported the LEP in securing a new delivery partner, allowing the completion of the flagship Tameside One building, which was only partially built when Carillion entered liquidation.

Recognising these resource pressures and priorities, in July 2018 Executive Cabinet agreed an extension of the LEP and its associated contracts until July 2019, whilst a review of future options took place.

Following that decision in summer 2018, a number of key vacancies arose at Director, Assistant Director and Head of Service level within the Growth Directorate, which is responsible for the commissioning and management of the LEP services. This significantly reduced the strategic and operational resource in the Directorate and meant resources were prioritised on the delivery of Tameside One and the Recant Programme. As a result of this the facilities management, school catering and capital programme services have not yet been fully reviewed, however, the estates service review is complete.

The review that was instructed by Executive Cabinet in June 2018 looked into the effectiveness of the current LEP arrangements and identified potential options that could be considered for the future delivery of the services currently provided by the LEP.

The outcome of this review concludes that the contractual provisions between the Council and the LEP were fit for purpose at the time of letting. However, the passage of time, and changes to the local government operating environment does mean that there is the opportunity to review these arrangements and, if necessary, re-scope and re-test them. It also advises on changes the Council can make internally to improve its LEP management arrangements

Due to the changing environment the review suggests that the Council takes a mixed or hybrid approach to delivering these services over the long term with a different approach to the delivery of each service. This could include an in-sourced approach, a continuation of existing arrangements through the LEP, or alternative delivery models.

The new Director of Growth is undertaking a review of the whole structure and operation of the Growth Directorate. As part of this she has concluded a detailed review of the Strategic Estates service. The Director's view is that the current service delivery structure does not maximise the opportunities available to the Council and its health partners, and that it is difficult to see this being addressed through an outsourced resource, where staff are less invested in the delivery of the Council's priorities and objectives. It is therefore essential that the estates service is embedded at the heart of the Growth Directorate, in order to ensure the management of council land and property assets align with corporate priorities, help facilitate economic and housing growth, stimulate prosperity and help support the organisations long-term financial sustainability.

Given all the services which are subject of the review are within the Growth Directorate and to ensure continuity of management arrangements between the council and the LEP, it is also recommended that the Director of Growth assume Director position on the LEP Board and its associated companies, replacing that of the Chief Executive.

The LEP contract comes to an end in July 2019, and can be extended for up to 5 years. It is recommended that an extension for a further year is approved whilst the internal resource is switched

from the delivery of Tameside One, and an in depth operational review of the remaining services is undertaken.

This report therefore sets out an interim stage of the review process. It proposes the next steps required to ensure that high quality value for money services are delivered.

The Director of Growth will report all options and recommendations to Executive Members by December 2019.

**Recommendations:**

- (a) That it is acknowledged that until the collapse of Carillion in 2018, the additional services arrangements with the LEP have served the Council well. However, after a decade, a review was always necessary to ensure the arrangements remained fit for purpose in a changing landscape brought about by significant austerity budget reductions together with the Council's own ambitions as set out in its newly launched corporate plan. Additionally it should be acknowledged that the decision to agree Robertson in replacing Carillion as the building and construction partner have also served the Council well. Robertson have supported the Council in completing ambitions for Tameside One and supporting the workforce who deliver crucial services to schools and the council in relation to catering, FM and capital projects.
- (b) To enable a proper review and consultation with service users it is recommended that the Additional Service Contract which can be extended up to 5 years is extended until 31 July 2020, whilst options are explored in respect of the following 3 services:
  - Primary School Catering
  - Capital Projects
  - Facilities Management (FM)
- (c) The success of any contract largely depends on how well it is managed by the client. The review process should seek to strengthen the Councils expertise in this area to ensure that the existing contract is effectively managed and to inform any re-scoping and renegotiating exercise relating to future arrangements and therefore the assistance of APSE the Association for Public Service Excellence who in particular are supporting a number of councils across the country to rebuild in house capacity will be considered as part of the review.
- (d) That the Director of Growth and Assistant Director Education notify schools of the extended arrangements for Primary School Catering to July 2020 and consult with them about alternative options.
- (e) That the Director of Growth be authorised to inform the LEP that management of Strategic Estates service will be brought back in-house during August 2019 subject to any contractual and TUPE consultations being undertaken as necessary.
- (f) That the Director of Growth be nominated as the Council's

representative on the LEP Board and its associated companies, replacing the Chief Executive.

**Corporate Plan:** To support the delivery of corporate plan.

**Financial Implications:  
(Authorised by the  
statutory Section 151  
Officer & Chief Finance  
Officer)** There are no direct financial implications as a result of this report as budget provision for the current services provided by the LEP will continue. The costs will be need to revaluated when the contracts are reviewed and any reassessments of budget provision made at that time.


The insourcing of the Estates provision will be funded from the existing budget provision within the service, this is currently used to fund the service provided via the LEP.

The Council currently spends approximate £8m a year through the LEP and has a £100m capital programme pipeline. This is therefore an important decision on the effective application of almost £200m of Council and Schools' capital and revenue resource as the Council plans strategically for the future.

**Legal Implications:  
(Authorised by the  
Borough Solicitor)** The contracts have been shown to be fit for purpose, however, what needs to be reviewed are whether the services now meet the Council's requirement given revised budgets and new corporate plan. This needs a significant review and the timing is right as we finish the handover and snagging of Tameside One and finalise current relocations. Accordingly in the circumstances with confirmation contracts are fit for purpose it makes sense to extend the contracts for a year or so as we determine what we are seeking for the next decade.

**Risk Management:** Set out in the report.

**Background  
Information:** The background papers relating to this report can be inspected by contacting Tom Wilkinson (Assistant Director of Finance)

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## 1. INTRODUCTION

- 1.1. The Council set up the Local Education Partnership (LEP) in 2009 as a delivery vehicle through, which capital investment from the governments Building Schools for the Future (BSF) programme could be effectively deployed. The contract with the LEP was subsequently expanded to include additional services and as time progressed the LEP was used increasingly to deliver services traditionally delivered by the Council. The Strategic Partnering Agreement through the Council and the LEP was set to run for an initial 10 year period which was due to expire in February 2019. There are provisions within the agreement to extend this for up to a further 5 years to February 2024.
- 1.2. The terms of the BSF programme meant that the Council had to engage with a strategic delivery partner through the LEP and that partner take an 80% shareholding in the LEP. The remaining 20% shareholding was split equally between the Council and Building Schools Future Investments (BSFI) which at the time was owned by the Department for Education. The strategic partner was Carillion until their demise in 2018 following a comprehensive procurement process.
- 1.3. The establishment of the LEP has allowed the Council to deliver over £400m of school and operational capital works over the past 10 years and has been a successful deliverer of significant investment into the Borough with the rebuilding and modernisation of more than 20 schools.
- 1.4. The Council has four main contracts with the LEP:
  - Primary School Catering – schools have the option to opt out;
  - Estates Management – supporting the Council with its estates strategy and asset acquisitions and disposals;
  - Capital projects – the delivery of capital projects, each subject to separate model contracts;
  - Additional Services – Providing Facilities Management to the Council for its operational buildings (excluding schools).
- 1.5. The Council was planning to review the LEP in early 2018, in preparation for the ending of the initial 10 year phase of the agreement. However, the collapse of Carillion in January 2018 and their involvement in a number of high profile strategic projects in the Borough has meant an initial delay to this work, as effort and resources have been diverted to ensure the continuity of services to the Council and residents and the completion of key projects.
- 1.6. Since the creation of the LEP in 2009, the Council has had to deal with the impact of austerity in which it has seen its central government funding reduce in real terms by more than 47% to £83m including business rates. Shortly after the creation of the LEP, the austerity cuts from 2010, meant that the Building Schools for the Future (BSF) programme was cancelled and the schools rebuilding programme that the LEP was specifically set up to deliver ceased. The LEP was maintained largely as a result of the inclusion of additional services and primary school catering, which became the bulk of its operations in addition to the wider (non-schools) capital programme delivery, and specifically the construction of Tameside One and to undertake small education capital projects.
- 1.7. Following the collapse of Carillion the LEP engaged directly with Robertson Group to ensure continuity of services to the Council and schools as well as ensuring the completion of the flagship Tameside One building in the centre of Ashton, as a key plank of the strategy to regenerate the town centre and deliver public service reform ambitions.

- 1.8. As a result of the liquidation of Carillion, PWC, the liquidators have since sold the Carillion shares (80%) in the LEP to Amber Infrastructure, who now control 90% of the LEP, therefore breaking the link with the ownership of the LEP and its strategic delivery partner.
- 1.9. The current circumstances are therefore very different to those when the LEP was established and as stated above was due to be reviewed as a natural course of events, which was affected by the Carillion liquidation.
- 1.10. Executive Cabinet agreed in June 2018 that the LEP could replace Carillion with Robertson Group as the main strategic partner to allow the completion of the Vision Tameside Phase Two programme and the continuity of facilities management, primary schools catering and estates management services to the Council and its schools. The underlying contracts for these services were extended to July 2019, to allow Robertson to effectively mobilise and maintain its resources at no additional cost to the Council. The particular reason for appointing Robertson was the fact they were a well-established construction company with a healthy balance sheet, they agree to undertake contracts on the same terms and to TUPE the staff whose Terms and conditions remained unchanged with access to the pension fund.
- 1.11. Executive Cabinet at this time also agreed a review into the operation and effectiveness of the LEP and provide future options for the delivery of services in the future in light of the changing landscape for this type of arrangement following the collapse of Carillion.
- 1.12. The review provides a number of options that will require further work and, in all likelihood, capacity and expertise to work up the options to ensure a fit for purpose solution to the delivery of any implementation of new arrangements for these important Council services.
- 1.13. The success of any review and implementation of solutions will require strong and accountable leadership from within the Council with the Director of Growth taking single senior officer responsibility for overseeing implementation.

## **2. TIMING OF THE REVIEW**

- 2.1. Since June 2018 Council resources have been focused on the successful delivery and completion of the Tameside One, meaning that the LEP was required to continue as main contractor, and continue to exist to allow snagging and defect liabilities to be covered. Inevitably, reprioritisation of resources has resulted in a delay in fully reviewing Primary School Catering, Capital Projects and Facilities Management (FM) services in detail and the issuing of the LEP review. This impacts on the timing of some of the options available, given the LEP contract expires July 2019.
- 2.2. A new permanent Director of Growth was appointed in January and is the client for the LEP, and she needs sufficient time to review the operations of the Directorate, consider how Primary School Catering, Capital Projects and Facilities Management are being delivered by the LEP and assess the most appropriate delivery options. She has already completed a review of the Estates service.
- 2.3. The Director of Growth is using the external LEP review and other work to inform the future structure of the Directorate and to provide evidence to support the recommendations in this report.
- 2.4. Urgent decisions are now needed with regards to arrangements beyond July 2019.

### **3. SUMMARY OF REVIEW OF THE OPERATION OF THE LEP**

- 3.1. The review provides that the contract with the LEP is broadly fit for purpose, but due to the changes to the Council's operating environment outlined above, and the efflux of time, should be reviewed in terms of the scale and scope of the arrangements as was always intended.
- 3.2. The review recommends a mixed, or hybrid, approach to the future delivery of services. Each of the 4 service areas do not need to have the same delivery solution and the different circumstances now faced by the Council mean that these services can be considered individually, with different solutions and timescales applied to their implementation. The following sections outline the current position for each of the service areas subject to review.

### **4. PRIMARY SCHOOL CATERING**

- 4.1. The main LEP contract was varied in March 2016 to include the provision of primary school catering to 68 schools. The reason for the contract was the changing landscape for schools as they converted to Academies and the demise of traditionally provided services for traded services, which started to create a significant risk for the Council to manage particularly health and safety. This contract variation was to run for 3 years to March 2019. This has since been varied again in June 2018 to extend to July 2019 and is provided by Robertson to enable the continuity of services following the collapse of Carillion. Any new primary school catering arrangements would need to be put in place for the start of the autumn term 2019.
- 4.2. Since March 2016, 25 schools have left the contract due to them converting to an academy and being part of a Multi Academy Trust with their own catering arrangements, and choosing to procure their own provider directly.
- 4.3. The transfer of the contract to Robertson and extension to July 2019 changed the contractual provision so that the remaining 48 schools could not give notice during this time. A further 8 schools have announced their intention to leave the contract from September 2019. The market for school catering has developed and matured significantly over the past 10 years with many smaller local providers competing with the traditional national providers. Schools are therefore proactively seeking to contract directly with providers rather than use the Council let contract. The erosion of the number of schools has made the current arrangements less viable in their current form.
- 4.4. In 2017/18 over £3.5m was spent on the primary school catering contract. The cost of this contract is funded from the income generated from paid school meals, the universal free infant school meals grant and those children who qualify for free school meals. It should therefore be cost neutral to the Council, although it retains risks associated with managing catering equipment and kitchens. This, coupled with a reducing number of schools has resulted in shortfalls in Council budgets in previous years.
- 4.5. The transfer to Robertson and extension of the contract was carried out to ensure continuity of service at current prices, and to protect staff, with a view to finding a new solution in the delivery of primary school catering from the start of the Autumn term by September 2019.

**Given resource pressures outlined above and the additional time needed to undertake a thorough review of this service and consult with schools, it is recommended that the Council instruct the LEP to extend this contract to 31 July to ensure that catering services are in place for the start of the autumn term 2019 on the basis that the Director of Growth**

**and Assistant Director Education will liaise with the schools to inform them of the extended arrangements to July 2020 and explore alternative options with them over the period June and September 2019 reporting the findings back to Executive Members December 2019 with a way forward.**

## **5. STRATEGIC ESTATES MANAGEMENT**

- 5.1. The Council has an operational estate of more than 480 assets, as well as owning over 1,000 non-operational assets. The estates function was not specified in the original contract with the LEP; however, as staff left the Council, Carillion filled the resource gap and now Robertson's provide this service.
- 5.2. The CCG's Estates Business Manager now reports to the Director of Growth and has been performing a critical client role of behalf of the Council, supporting the Director of Growth with the high priority estates work. The new Director of Growth has reviewed the service and considers it too remote from other key services. If it were in-house and embedded at the heart of the Growth Directorate it would better align with other services such as economic development, regeneration, housing and health and thus help facilitate commercial and housing growth and promote social value in the Borough. This would enable the service to have an improved strategic link/fit with Council priorities and better support other services.
- 5.3. In-sourcing would also enable improved accountability in terms of delivery and output and development of a Strategic Asset Management Plan and Estates Strategy, which supports delivery of the Corporate Plan. By bringing the service back in-house, it provides the opportunity to shift from the current reactive/maintenance approach to a strategic, enabling approach which supports the capital programme and identifies and delivers innovative ways of generating new income for the Council.
- 5.4. The balance sheet value of the Council's land and buildings is almost £500m. Estates are therefore an area of great potential for the Council with opportunities to exploit its relationship with the NHS, where significant funding sources for integration projects are available and rationalisation of the wider public estate can release sites for commercial developments and new homes

**The Director of Growth recommends that Estates be brought back in-house with a new full-time Head of Estates and estates team recruited to re-integrate the function back into the Council, work towards creating a viable estates support for services and align with CCG property management. It is also recommended that this be implemented at the earliest opportunity, following formal consultation with staff affected and the Unions.**

## **6. CAPITAL PROJECTS**

- 6.1. The LEP was established primarily to deliver major capital projects, under the BSF programme. Since then there has been a number of other projects and the major Vision Tameside Phase 2 programme. The Council has a small project team consisting of a manager, 2 project managers and an apprentice, as the contract is designed so that the majority of work is passed to the LEP for them to manage under standard design and build contracts. Since the collapse of Carillion, there has been limited resource within the LEP, and with the majority of that resource been focused on the delivery of the Tameside One building. Uncertainty about the future operation of the LEP means that they have been unable to resource the LEP with any permanent staff, which is both costly and constrains capacity.



- 6.2. The Council's three year capital programme was approved in 2017/18 at £189m, and there are schemes with a value of more than £100m that still require delivery, subject to sufficient capital receipts being achieved. The lack of strategic and project management capacity and capability has started to impact on the delivery of the Education capital programme and this area needs to be strengthened as part of the Director of Growth's review of the Directorate.
- 6.3. The changing construction market generally, the new relationship between the LEP and Robertson and the fact that the Council now has in house procurement capacity delivered by STAR mean that it is an appropriate time for review with the challenge being whether this type of strategic partnership still represents the best value for money for the Council. There are now a number of construction frameworks that the Council can easily access that can drive value through mini-competition and continue the use of standardised contracts.
- 6.4. The overall review of the Growth Directorate being undertaken by the new Director will allow a strategic assessment of the requirements and appropriate expertise and capacity to be established. This will inform the future direction of the delivery of capital projects.
- 6.5. It is therefore recommended that an extension to this element of the LEP contract to 31 July 2020, would be needed whilst the review is undertaken and this would provide sufficient time to embed any new Directorate staffing structure and review Robertson's performance / in-house capacity and complete existing projects. This will be undertaken between June and October 2019 and the findings reported back to Executive Members December 2019.

**It is therefore recommended that an extension to this element of the LEP contract to 31 July 2020, would be needed whilst the review is undertaken and this would provide sufficient time to embed any new Directorate staffing structure and review Robertson's performance / in-house capacity and complete existing projects. This will be undertaken between June and October 2019 and the findings reported back to Executive Members December 2019.**

## **7. FACILITIES MANAGEMENT**

- 7.1. The facilities management service is also delivered through the additional services part of the contract, and was let in November 2011 for 5 years with an option to extend by a further 2 years to November 2018. The collapse of Carillion and the need for continuity of service meant that it was extended to run until July 2019 in line with the extended arrangement with the LEP and the catering contract.
- 7.2. The fact that the contract has been in place for over 7 years does mean it should be reviewed and tested as a matter of course as set out in the contracts. This was planned to take place during 2018, but the collapse of Carillion meant that resources were concentrated on ensuring that services under the contract would continue and that required finding an alternative provider in the short-term.
- 7.3. The nature of service delivery and the number of buildings operated by the Council has changed since 2011, and whilst there have been contract adjustments for changes in building occupancy, the opportunity to review the Council's requirements and reflect the future ambitions of the Council.
- 7.4. The core monthly price for the contract was set in November 2011 at £4.625m per annum to be indexed annually. Since then the changes to service delivery, such as library closures and the decant from the TAC building in Ashton has seen this annual fee reduce

to £3.859m (about 15%) in 2018/19. A detailed schedule of the changes made has been maintained by Financial Management.

- 7.5. The services provided within the Additional Services Contract core price are:
- Cleaning Services
  - Helpdesk Services
  - Building and Asset Maintenance Services
  - Contract Management Services
  - Technical Services
  - Caretaking Services
- 7.6. In addition there are further charges that can be levied on the Council in relation to Reactive (or additional) Charges which include:
- Reactive Maintenance
  - Specialist Cleaning
  - Emergency reactive cleaning
  - Additional Caretaking Services
  - Technical Services Charges
- 7.7. The reactive charges range between 20% to 60% of the core monthly fee and represent a significant uplift. The level of deductions for poor performance is capped in the contract to the level of profit at £22,595 per month.
- 7.8. The Facilities Management element of the contract is complex and supports the Council with regards to statutory buildings compliance and risk management, and has enabled the Council to reduce its risks in this area. It also employs around 200 people, so the implementation of alternative options in relation to a long term solution being in place for July 2019 isn't possible given these complexities and time constraints. In order to ensure a value for money solution to facilities management provision longer term options should all involve re-specifying the service required, market testing and benchmarking.

The success of any contract largely depends on how well it is managed by the client. The review process should seek to strengthen the Councils expertise in this area to ensure that the existing contract is effectively managed and to inform any re-scoping and renegotiating exercise relating to future arrangements. It may be helpful to seek the assistance of APSE the Association for Public Service Excellence who in particular are supporting a number of councils across the country to rebuild in house capacity.

**That the existing contractual arrangements are extended in accordance with the contract to 31 July 2020, which would enable the new Director of Growth time to complete an in depth review of the service between June 2019 and October 2019 and understand the scope going forward to deliver the contract taking into account the new requirements for Tameside One with the findings reported back to Executive Members by December 2019.**

## **8. STRATEGIC OVERSIGHT & CLIENT MANAGEMENT**

- 8.1. The Growth Directorate holds the budget for the delivery of the services provided by the LEP and should have the strategic oversight and client management responsibility for these to ensure that the contract is effectively managed and delivers value for money.
- 8.2. The Council affords a Director position on the LEP Board, which is currently held by the Chief Executive. For reasons of continuity of the client management role, it is recommended that the Director of Growth assume the Director position on the LEP Board and its associated companies.

## **9. THE FUTURE OF THE LEP AS A LEGAL ENTITY**

- 9.1. The LEP is a company limited by guarantee and its ownership of shares in the two PFI project companies, will mean that it will continue to exist as a corporate body until the end of these PFI contracts in 2035. There are also a number of guarantees and warranties that it is liable for on works delivered by it for the Council.
- 9.2. Amber Infrastructure, the main LEP shareholder, are keen to continue to work with the Council through the LEP and are looking at different delivery models and ownership structures through which the Council could deliver projects and services. An extension of the LEP contract until July 2020 will provide time for the Council to consider any proposition from Amber and whether this is a suitable strategic fit for the Council in the longer-term.

## **10. RECOMMENDATIONS**

- 10.1. As set out on the front of the report.