



CASE STUDY

North East Lincolnshire | Public-Private Partnership

# A Transformative Relationship

Faced with high unemployment, an ageing workforce and economic doldrums brought about by the decline of its fishing industry, the North East Lincolnshire Council entered into a long-term partnership with a private company to regenerate the borough and improve the lives of its residents.

## The Challenge

North East Lincolnshire, a borough of about 160,000 inhabitants in the Yorkshire and the Humber region of Northern England, had long been seen as one of the most economically-challenged areas in the UK.

Since the decline of the once thriving fishing industry in the 1970s, the town faced low growth, an ageing workforce, lower than average education levels and a higher than average proportion of unemployed residents.



(clockwise from top left)

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Derelict buildings at Grimsby Docks, North East Lincolnshire.





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## The Solution

North East Lincolnshire Council (NELC), the governing body of the borough, recognised that the area's prospects for economic growth were hindered by a lack of investment capital and the difficulty of retaining labour in the area. As early as 2006, the council discussed the option of outsourcing certain services to supplement their capacities, funds and skills in order to foster economic growth and regenerate the borough. Despite differing political affiliations within the council, the final decision to outsource specific service areas to a private sector partner (including road maintenance, fostering economic growth and promoting regeneration) was made unanimously by all 42 councillors.

After a competitive bidding process, NELC engaged Balfour Beatty WorkPlace Limited, a facilities management firm, for a 10-year "North East Lincolnshire Regeneration Partnership", which was officially inaugurated on 1 July 2010. Balfour Beatty WorkPlace Limited was subsequently acquired by the UK branch of the ENGIE Group, a French-based multinational electrical utility company.

The partnership aimed to improve quality of life and economic conditions for residents, while also changing the council's approach to procurement from a transactional relationship to one that focuses on transformative outcomes.

The innovative component of the partnership was that 30% of the private partner's profits were conditioned on its meeting a number of outcome-based Key Performance Indicators (KPIs) such as attracting 4,200 jobs over the

life of the partnership; managing the delivery of a programme for key regeneration and renewal projects incorporating 3,500 new and improved homes; reducing the number of people killed or seriously injured in traffic accidents by 33% for adults and 50% for children; and attracting £170 million (US\$245 million) of public and private investment in developing projects with adequate training, apprenticeships and work placements for 400 young people.

Services wholly or partially outsourced under the partnership included: attracting outside investment (from private companies or public regional economic development boards, for example); strategic asset management for council-owned real estate including housing, community learning services, repair of highways and transport facilities; parking services; architectural consultancy; urban planning and development management; environmental and flood risk management; building control; and security.

Approximately 300 council staff became employees of ENGIE as part of the contract through a process known as a Transfer of Undertakings (Protection of Employment).

The partnership had its fair share of challenges. With the budget cuts from the national austerity measures introduced in 2010 by the central government, NELC had to negotiate to reduce its financial contribution to the partnership with ENGIE between 2011 and 2013, which led to the contract being extended





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for two years. This also meant that services had to be delivered for less money and over a longer period of time to recoup costs. During the first two years, the partnership tended to be more narrowly focused on achieving contractual KPIs within the given budget instead of delivering transformative outcomes.

Nonetheless, much effort was taken by both NELC and ENGIE to improve and recalibrate the partnership's governance and management via both formal and informal arrangements that will allow them to focus on urban regeneration, prosperity, health and well-being. These included modifying the number and frequency of strategic partnership board meetings and less formal operational partnership board meetings to bring both NELC and ENGIE onto the same page. ENGIE also engaged in local ward meetings to allow it to better understand the needs of residents and councillors at this sub-municipal level.



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- 01 & 02 New cost-saving and energy-saving LED street lamps in North East Lincolnshire.
- 03 Grimsby Docks to play an important operations and maintenance role for nearby windfarms.
- 04 The former Fabricom ENGIE site is being converted into a multimodal training centre for ports, energy and logistics sectors in Immingham for £7 million (US\$10 million). The works are project managed by ENGIE's professional technical services team in Grimsby.
- 05 There was a 23% increase in tourism from 2009 to 2014, and this has improved confidence in the area and encouraged private sector investment. One example of this is the £2.8 million (US\$4 million) spent to refurbish the Yarrowburgh Hotel at Grimsby, North East Lincolnshire.

**“30% of the private partner’s profits were conditioned on its meeting a number of outcome-based Key Performance Indicators such as attracting 4,200 jobs...”**





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## The Outcome


Having focused on improving well-being in the North East Lincolnshire community, the partnership successfully fulfilled its contractual KPIs for regeneration as of late 2015, including bringing in £30 million (US\$43 million) of outside investment, creating nearly 3,000 jobs, and consistent responsiveness to day-to-day needs, for example, in the area of road maintenance where 99% of highway damages were repaired within 24 hours.

On top of fulfilling ambitious, outcome-based contractual KPIs, the NELC and ENGIE public-private partnership has been successful and interesting because of their ability to work collaboratively within the framework of the contract and the long term commitment to bring innovation to the borough, including measures such as property rationalisation and energy efficiency.

Specifically, the property rationalisation programme reduced the number of core council-owned office buildings from more than 20 to two main hubs. This helped to reduce office space by 60%, and led to a cut in operational costs of over £1.1 million (US\$1.58 million) per year.

Other key innovations are in the field of energy efficiency. One important project conducted between 2012 and 2013 involved the upgrading of 19,000 street lights from sodium lamps to more cost-effective and energy-saving white LEDs lights. These provided clearer visibility with less energy usage, saving about £540,000 (US\$778,000) per year in energy and maintenance costs, and reducing carbon dioxide emissions up to 35%.

More recently in 2015, the partnership introduced a “flexible basket” strategy for energy procurement, where gas and electricity can be purchased in advance for up to three years, reducing cost and improving access to green energy and promoting energy conservation measures to reduce the borough’s carbon footprint.

Grimsby Docks, which was once full of fishing vessels, is now—as a result of regeneration and investment—full of operation and maintenance vessels to service the now growing renewable energy generation industry in the Humber Estuary. 

01 Grimsby Docks is a major car import gateway and serves the offshore wind energy industry.

02 ENGIE and North East Lincolnshire Council were the winners of both the public sector category and the overall award for the most impressive finalist in the Premises and Facilities Management awards in 2014.