

Title of meeting: Culture, Leisure and Sport Decision Meeting

Date of meeting: 26 May 2016

Subject: Decision over delivery of Parks grounds maintenance service
(North, East and South contracts)

Report by: Stephen Baily
Director of City Development and Cultural Services

Wards affected: All

Key decision: No

Full Council decision: No

1.0 Purpose of report

- 1.1 To inform the Cabinet Member for Culture, Leisure and Sport of the soft market testing exercise that has been undertaken in the first quarter of 2016 to identify the optimum delivery model to satisfy council objectives and whether the model is best delivered on a contracted out or in-house basis.
- 1.2 This report further sets-out the in-house consideration on the basis of existing knowledge within the Property and Housing Management Team and the soft market testing process.

2.0 Recommendation

- 2.1 **That the Cabinet Member for Culture, Leisure and Sport decides which of the following options will deliver grounds maintenance services to parks and open spaces in the north, east and south of Portsmouth:**
 - A. **An in-house team from 1 January 2017 delivered by Property and Housing Management Team**
 - or
 - B. **A full tender process is undertaken to determine the preferred external service provider (subject to extension of existing contract arrangements as detailed in 10.5)**

3.0 Background

- 3.1 The council has four contracts with two external providers which are due to expire at the end of December 2016 and have an aggregated expenditure value of approximately £1.5M per annum.

- 3.2 The contracts relate to grounds maintenance services to the north, south and eastern quarters of the city (by The Landscape Group) and Portchester Crematorium on behalf of the Joint Committee comprising Portsmouth, Havant, Fareham and Gosport (by Brighstone Landscaping).
- 3.3 The contracts do not have provision for extension without the risk of challenge by other service providers, due to the contract term specified in the original tender opportunity (OJEU advert).
- 3.4 The expenditure of the north, south and east contracts will be required to reduce significantly over future years due to the current financial austerity measures faced. The council also has a further 4 related contracts which are not due to expire for some time which have a combined value of approx. £1M per annum. A table showing the breakdown of the contracts by value, area and contractor is provided below:

Contract	Contractor	Expiry	2015-16 annual value (BoQ+SoR)
Grounds maintenance - North contract	The Landscape Group	31/12/2016	IRO £260,000
Grounds maintenance - East contract	The Landscape Group	31/12/2016	IRO £520,000
Grounds maintenance - South contract	The Landscape Group	31/12/2016	IRO £740,000
Grounds maintenance - Portchester Crematorium	Brighstone Landscaping Ltd	31/12/2016	IRO £67,000
Grounds maintenance - West contract	ISS Facility Services	31/12/2020	IRO £470,000
Grounds maintenance - Education and Social Services	ISS Facility Services	31/12/2020	IRO £135,000
Grounds maintenance - Great Salterns Golf Course	Brighstone Landscaping Ltd	31/01/2021	IRO £146,000
Arboricultural Works	Gristwood and Toms	31/03/2018	IRO £300,000

4.0 Process Overview

- 4.1 A team of officers from Property and Housing, Culture and City Development and Procurement have engaged in a soft-market testing process and peer review:

Colette Hill	Assistant Director for Property and Housing
Adrian Rozier	Acting Parks Manager
David Stribling	Parks Contract Supervisor

David Moorman	Contract Management Business Partner
Richard Lock	Senior Procurement Professional
Emma Cole	Trainee Procurement Professional

- 4.2 The team have engaged with other local authorities who have a mixture of contracts and in-house service delivery options, to better understand alternative types of specification, collaboration opportunities, contractual terms, performance measures and open book and partnering arrangements.
- 4.3 Havant Borough Council, Fareham Borough Council and Gosport Borough Council have been engaged at an early stage in this process, although no further meetings are planned at this time. There was no interest at this stage from Portsmouth University, Royal Navy and First Wessex Housing Association.
- 4.4 The team have undertaken soft market testing with five service suppliers, including the two existing suppliers. See exempt Appendix 1 - 4.4
- 4.5 Suppliers were provided with a document outlining the purpose of the exercise, the city council's objectives and the key areas on which to gather views and information.
- 4.6 The document was accompanied by the current service specification and task schedules, with an indication of the indicative budget available as at 1 January 2017. Suppliers were to consider and propose amendments to the current specification and provide a fully costed business model that would give a confidence factor of delivery at that price.
- 4.7 All suppliers presented proposals in response to aims of the exercise, with four suppliers providing a costed business model. The proposals were received with varying degrees of confidence. See exempt Appendix 1 - 4.7
- 4.8 If the service provision were to continue by external providers, the city council should consider extending these North, East, South and Crematorium arrangements until 31 January at the earliest or 28 February at the latest. This will avoid handover and mobilisation arrangements during the Christmas and New Year period, but allow commencement before the busier spring period.

5.0 In-House Service Provision

- 5.1 A team of officers representing Culture and City Development and Property and Housing and have used the information received from the soft market testing, peer review and experience of current in-house service to prepare a costed model for in-house service provision, consisting:

Colette Hill	Assistant Director for Property and Housing
Steve Russell	Service Development Manager, Green and Clean
Adrian Rozier	Acting Parks Manager
David Stribling	Parks Contract Supervisor

5.2 The in-house costed model will enable all viable options to be considered and is based on:

- North, East and South contracts (excludes Crematorium at this time)
- TUPE information from the existing contractor (The Landscape Group)
- 2015 National Living Wage top-up to £7.85 per hour where applicable (in December 2015 the Employment Committee made the decision to 'freeze' the PCC Living Wage (PCCLW) rate of pay at £7.85 per hour for all eligible employees, following the introduction of the National Living Wage (NLW) rate of £7.20 per hour on 1 April 2016, until the National Living Wage rate meets or exceeds the PCCLW)
- Vehicle information from the existing contractor, with additional vehicles as judged to be required for an in-house provision
- Plant and equipment lists from the soft market testing exercise which have been validated by the Contract Supervisors
- Supplier cost models and internet searches
- Knowledge from the management of the internal Property and Housing Green and Clean Service

6.0 In-House Service Cost Model

6.1 The Year 1 budget for delivering grounds maintenance services to the North, East and South parks and opens spaces via an in-house team is £1.26M. See exempt Appendix 1 - 6.1

6.2 There are some areas of the Year 1 budget where an allowance has been made over the cost that may be incurred. See exempt Appendix 1 - 6.2

6.3 The cost model does not reflect:

- Any increase in support service costs, charged per head of employee - these relate mainly to Human Resources and IT and will result in a redistribution of existing costs within the city council, rather than an increase, but this would not impact on the Culture, Leisure and Sport cash limits
- Any finance costs relating to the purchase of plant and equipment - whilst the exact source of funding for the purchase of additional plant and vehicles is not yet approved, there would be no adverse impact on the general fund revenue budget over and above those included in the cost model, as any debt costs would be retained by the HRA
- Costs associated to depot premises so it is directly comparable with those received from service providers (the estimated share of running costs associated to occupation of the new council premises at Northarbour Road is £13,450 per annum and would need to be met from within Culture, Leisure and Sport cash limit, irrespective of provider)

- 6.4 The decision to bring the grounds maintenance service in-house would remove the need to negotiate extending current contract arrangements by 1-2 months and the costs associated to this. See exempt Appendix 1 - 6.4
- 6.5 It is envisaged it will take approximately 12 months to fully understand the staff and equipment resource requirements of an in-house provision, whilst the service is established and operates from new council premises in Northarbour Road, Cosham.
- 6.6 The financial breakdown to both the lowest priced and in-house cost models can be compared. See exempt Appendix 1 - 6.6
- 6.7 The actual comparable cost to in-house provision would only be established on completion of a full tender process. See exempt Appendix 1 - 6.7

7.0 Future Savings, Efficiencies and Income Streams with In-House Delivery

- 7.1 There are a number of areas of potential future savings or income streams that have been identified so far. These are:
- Staff management review - See exempt Appendix 1 - 7.1
 - Arboricultural services - See exempt Appendix 1 - 7.1
 - Inclusion of other contracts - See exempt Appendix 1 - 7.1
 - Sharing of resources - the in-house service will be administered within Property and Housing Service alongside the current Green and Clean operation. Once the service is established in the new combined Depot premises at Northarbour Road, Cosham, this will give the opportunity for the sharing of resources and overhead costs. These resources (such as specialist machinery) can be further made available to other city greenspaces such as Portsdown Hill and Hilsea Lines
 - 'Green review' - a combined in-house service will give opportunity for a citywide greenspace review to include Parks (open space, play, trees, allotments, cemeteries and sports pitch management), Green and Clean and other greenspace management to optimise resources and achieve efficiencies where they exist. This will place the city council in a better position to manage the pressures associated to responsibility for new major open spaces, such as Horsea Island Country Park, and whether these will be better served by the wider in-house service or the successful countryside management models adopted at Portsdown Hill and Hilsea Lines
 - Engagement of volunteers and other agencies - the service will engage with volunteers, Friends groups and other agencies where suitable opportunities exist to further minimise the impacts of ongoing budget constraints within parks and open spaces, and where possible develop these to acceptable standards of delivery and enable further efficiencies within the service
 - Further in-house provision - an allowance of £50k has been allocated to non-programmed works (SOR work) that are still perceived to require specialist contractor service - as the service develops, further works may be achieved in-house and achieve further savings

- Service development - investment in developing a skilled in-house team of staff will give greater opportunity for future training to be carried out in-house, develop new staff and apprentices to better cope with the loss of experienced operatives and to better-enable works, advice and training to be delivered to city council partners and external organisations
- Green-waste management - further feasibility work would be required to fully understand the capital costs and business benefits associated to investment in a green-waste facility, but the site adjacent the dog kennels at Burrfields Road could offer a suitable site for further investigation
- In-house nursery - further feasibility work would be required to fully understand the capital costs and business benefits associated to investment in an in-house plant facility. Such a facility has the potential to serve growing of plants and bedding for use in parks, selling to external organisations and the public and to develop a partnership approach with the third sector and volunteers in its management. There is potential overlap with the benefits outlined under service development and green-waste management, depending on location
- Increased income from council assets - in-house delivery enables a greater area of office space at the new Northharbour Road premises to be available for letting as contractors would not need to be separately accommodated

7.2 Feasibly many of these opportunities can also be associated to an externally contracted service. However any variation to the terms or contents of a contract will require some form of negotiation before implementation and under an open-book contracting arrangement any financial gains would need to be shared in order to incentivise the contractor, as opposed to the whole being retained within the city council if provided in-house.

7.3 Whilst the opportunities can be identified, many of them are unquantifiable at this stage and this would be the case whether the service were delivered in-house or by external provider. However, the soft market testing has confirmed the areas for future savings and efficiencies and that have been adopted at other local authorities.

8.0 Issues and Risks

8.1 It is likely that the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) will apply. The city council must comply with the obligations under TUPE to inform and consult with any employees who may be affected by the transfer. It will inherit any liabilities arising from transferring employees' terms of employment with current service providers. The city council has sought TUPE information and separately staff records in order to undertake due diligence and inform the comparable in-house model (with some over-allowance - see exempt Appendix 1 - 6.2).

8.2 Were TUPE to apply, the city council would be liable for any changes made to the terms and conditions and pension liabilities of transferred staff, should the service be later contracted out to an external provider.

- 8.3 At this stage it is not clear which of the existing external staff would transfer under TUPE. See exempt Appendix 1 - 8.3
- 8.4 The minimum wage rate payable by external providers would potentially not harmonise with the city council until April 2018 (£7.85), due to the adoption of the PCC Living Wage. Thereafter rates for all service providers will need to increase to meet the anticipated National Living Wage target of 'over £9.00' by April 2020. This equates to an increase of approximately 22% in comparison to existing staff wage costs, based on the available TUPE information.
- 8.5 The ongoing requirement to make future budget savings will present significant challenge to future contract management arrangements, whether in-house or externally provided. The in-house model offers greater understanding and control of day-to-day costs and ability to re-structure and re-design services.
- 8.6 Once the decision over the future service delivery (whichever model) is made, the city council will need to negotiate with the current service provider (The Landscape Group) to either extend current arrangements or confirm contract expiry with no option to tender for renewal. See exempt Appendix 1 - 8.6

9.0 Delivery of an In-House Service

- 9.1 In-house service provision is projected to achieve the initial minimum savings target of £230k expected by the Culture, Leisure and Sport portfolio in 2017-18, with further significant savings anticipated in the same and future financial years. The in-house model estimates a saving of £228,838 in Year 1 to the Culture, Leisure and Sport portfolio, allowing for the contribution towards accommodation at the new Northarbour Road premises.
- 9.2 If the service is brought in-house, there is potentially a seven month mobilisation period, subject to new city council premises being available from December 2016 and is considered adequate to deliver as of 1 January 2017 without the need for extension of contracts, other than Portchester Crematorium (potentially).
- 9.3 In-house service would be delivered within the Property and Housing Service alongside the current Green and Clean operation. Portfolio budgets would remain clearly separated, working in liaison with respective Finance Teams with quarterly budget monitoring reporting to the Cabinet Member for Culture, Leisure and Sport.
- 9.4 In-house delivery model would provide:
- a responsive, efficient, effective and flexible service that meets the needs of residents and visitors across the cities greenspaces, including the seafront
 - a service that can exploit future synergies across green services in Portsmouth
 - the flexibility to re-design the service to meet future budget constraints, changing priorities and challenges (ie. Horsea Island Country Park), without the need for negotiation or lengthy procurements

- the opportunity to develop a highly skilled and motivated workforce, supporting apprentices and growing partnerships with volunteers, Friends groups and other agencies to build local capacity going forward
- a workforce instilled with a greater sense of ownership and responsibility to deliver quality parks and open spaces for residents to enjoy and help promote the city as a good place to hold events and for people to visit
- the opportunity to maximise from any financial gains associated to future changes

9.5 The Assistant Director for Property and Housing would aim to deliver the service with the following timeline:

- June 2016 notify incumbent contractors and those involved in the soft market testing of the decision to bring the service in-house
- June 2016 set-up service mobilisation team
- 1 Jan 2017 commence operations with in-house team, managed by the Parks Team
- Apr 2017 on Assistant Director for Property and Housing to report back on process for management review city-wide 'green review'

9.6 The future service delivery at Portchester Crematorium will not be further informed until the decision is made on the three area contracts. It is likely a report will need to be submitted to the Joint Committee on 13 June 2016.

10.0 Reasons for Recommendation

10.1 The current North, East, South and Crematorium contracts expire on 31 December 2016.

10.2 An initial minimum savings target of £230k is expected by the Culture, Leisure and Sport portfolio in 2017-18, with further significant savings anticipated in the same and future financial years.

10.3 A decision needs to be made on the future model of delivery of grounds maintenance services to parks and open spaces in the north, east and south of Portsmouth to avoid a loss of service as of 1 January 2017 and to achieve the savings expected by the portfolio.

10.4 This report sets-out the in-house consideration on the basis of existing knowledge within the Property and Housing Management Team and the soft market testing. The delivery of grounds maintenance via an in-house service from 1 January 2017 will negate the resource and costs associated to a future procurement and enable the service to be mobilised without the need to extend existing contracts to the North, East and South contract areas.

10.5 The report shows the comparable cost models sought from five external service providers who agreed to participate in the soft market testing and use this opportunity to inform the city council of the best available proposition. A full tender process

would be required to determine actual cost models from a wider selection of external service providers and were this process to commence 1 June 2016, the earliest contract commencement date is considered to be 1 February 2017. It will require sufficient resource to adhere to strict timescales and deliver on time. The latest contract commencement date is considered to be 1 March 2017 without impact to delivery of the service at a critical time of year.

11.0 Equality impact assessment (EIA)

11.1 A preliminary equality impact assessment has been undertaken (attached as Appendix 2).

12.0 Procurement Team Comments

12.1 See exempt Appendix 1 - 12.1

13.0 Legal Comments

13.1 Any proposals to bring services in house raise a number of key risks, around staff terms and conditions, and pension provision (including future pensions costs, and any cost exposure on a pensions fund deficit). The report author has confirmed that these have been fully reviewed.

13.2 Whilst complexity is introduced on recommendation B where the in-house team participate in a tender process, these complexities are capable of being properly managed. These alternative approaches have been discussed with the report author.

14.0 Director of Finance Comments

14.1 As discussed within this report, the current cost of delivering grounds maintenance services to the North, East and South parks and open spaces via an in-house team is anticipated to total £1.26M, compared to a current contract cost of £1.52M.

This equates to a potential initial saving of approximately £244,000 in year one alone.

If the grounds maintenance service is carried out in the same proportions as it has in the current year, this saving would be distributed as follows:

Service	Current cost	Proposed Year 1 cost of in-house team	Running cost of additional space in Depot	Saving
Culture and Leisure	£1,430,535	£1,189,067	£12,630	£228,838
Housing	£ 28,980	£ 4,088	£ 260	£ 4,632
Transport	£ 13,437	£ 11,169	£ 120	£ 2,148
Property	£ 50,496	£ 41,973	£ 440	£ 8,083
TOTAL	£1,523,448	£1,266,297	£13,450	£243,701

14.2 Whilst the in-house provision is recognised as not being the cheapest service, reviews already undertaken by the team have resulted in a number of other areas of potential saving being identified, which could be delivered once the new in-house service is implemented. Once delivered, these additional savings would result in the in-house service being the lowest cost offer. See exempt Appendix 1 - 14.2

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Signed by:
Stephen Baily
Director of City Development and Cultural Services

Appendices:

Exempt Appendix 1 (under Local Government Act 1972, Schedule 12A (as amended) paragraph 3.)

Appendix 2 - Preliminary Equality Impact Assessment

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Nil	

The recommendation(s) set out above were approved/ approved as amended/ deferred/
rejected by on

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Signed by:
Cabinet Member for Culture, Leisure and Sport