

Agenda Item 11

Cabinet Member: Councillor David Draper, Cabinet Member for Leisure

Strategic Leadership Team Lead: Paul Anderson, Executive Head of Service (Resources)

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Date: 24 November 2020

Ward(s) affected: all

Key Decision: No

SUBJECT: Grounds Maintenance Contract– Options for the delivery of service following the end of the current contract

Recommendations:

That the Cabinet agrees that:

- a) the current contract for the provision of grounds maintenance be extended for a period of four years, until 31 December 2025
- b) an additional 'rapid response' resource is introduced onto the contract to increase the responsiveness to ad-hoc high profile issues.

The Cabinet has the authority to determine the Recommendations

Executive Summary:

The current contract for the provision of grounds maintenance services expires on 31 December 2021. This report considers the options for delivery of the services once the current contract expires.

Council Strategy Priority Outcomes:

Protect and enhance the natural and built environment, and ensure our areas of natural beauty and wildlife are well looked-after.

Work towards making MVDC and our contractor's carbon neutral

1.0 Background/Introduction

1.1 The seven year grounds maintenance contract currently expires on 31 December 2021. The contract includes the following service areas:

- Grass cutting, flytipping and litter removal from parks and open spaces
- Provision of the arboricultural contract
- Planting and maintenance of spring and summer bedding plants
- Dorking cemetery operations and maintenance of grounds
- Maintenance of 5 football pitches and 2 junior football pitches
- Playgrounds inspections
- Snow clearing and gritting

1.2 An options appraisal has been undertaken to assess the opportunities for the delivery of these services from when the current contract expires. The following options are considered viable:

- In House service provision
- Re-procure an outsourced service;
- Extend the current contract.

2.0 Options appraisal

Option 1 In-House service provision

- 2.1 Bringing the service in house can provide a number of potential benefits. With sufficient resources and funding, insourcing can provide the opportunity to provide a higher standard of service. It would also give Mole Valley District Council (MVDC) a greater level of control over the workforce, giving increased flexibility and the potential for improved productivity.
- 2.2 Insourcing would also provide a greater opportunity to align the service to other MVDC's strategic priorities and objectives such as mitigating the climate emergency and providing local employment. Current priorities include electrification of fleet and equipment, eradicating the use of glyphosate and adapting the cutting schedule to encourage more wildflowers to grow.
- 2.3 In addition to these potential benefits, MVDC would also take on the associated risks including operational capability, achievement of performance standards, training obligations, and HR responsibilities as well as a new range of Health and Safety duties. The financial risk would increase over time as the longer term costs of delivering the service cannot be forecast to a high degree of accuracy and will be dependent on a number of factors outside of MVDC's control, such as inflation, salaries, fuels costs and changes in legislation.
- 2.4 As a contractor is currently providing this service it is likely that the operational and management staff employed on the contract will have the right to transfer to the Council under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE).
- 2.5 Should the transferring staff become MVDC employees, paid on MVDC terms and conditions, it is anticipated that this will increase the staffing costs and the pressure on the LGPS. In addition to the staff transferring as a result of TUPE, it is also possible that the Council would need to recruit staff in order to resource the in-house provision, such as operational staff to cover sickness and holiday periods and HR

support.

- 2.6 There will also be additional costs associated with the purchase of equipment and provision of a depot.

Option 2 Re-procure an outsourced service

- 2.7 Tendering a new outsourced contract will provide an opportunity to review performance standards and incorporate opportunities to further align the specification to current MVDC strategic priorities and objectives, such as introducing a requirement to reduce their environmental impact, and increase social value initiatives.
- 2.8 Members will note that the market is not currently very competitive with only a small number of suppliers currently tendering for contracts. As a result it is possible that tendered prices may increase. For example, some London Authorities have seen prices for retendered “like for like” services come in 10-15% more expensive within the last 12 months.

Option 3 Extend current contract

- 2.9 The current contract was awarded through a competitive tendering process in 2014, to the least expensive bidder (on a price/quality split of 70/30) with significant savings to MVDC. There is an option within the current contract to extend for a further initial term of four years at the Council’s sole discretion. The Council must inform the contractor as to whether it wishes to extend the contract by 31 December 2020.
- 2.10 The contract is currently considered to be performing to a satisfactory standard. Nevertheless, an extension will provide opportunities to increase the level of responsiveness to issues and it proposed that an extension includes a contract variation to introduce a ‘rapid response’ team. The additional cost of this is expected to be between £40- £50,000. This will be funded by not recruiting to the vacant Depot Manager post within the Parks and Environment Team.
- 2.11 Giving notice to extend the contract now would also enable negotiations to start immediately to pilot environmental improvements. For example this could include finding alternatives to glyphosate use and fleet electrification. It will also allow time to undertake a further, detailed analysis of the costs of bringing the service in house from January 2026.

3.0 Financial Implications

Option 1 in house service

- 3.1 Provision of a like for like service is estimated to be significantly higher than current contract costs. Salary and pensions costs will be the biggest factor in this. If the transferring staff become MVDC employees the additional salary and pension costs would be c £100k in the first year, and £80K ongoing.
- 3.2 There will also be additional costs for the provision of equipment (c£200k Capital – one off cost) and provision of a suitable depot.

Option 2 Re-procure outsourced service

3.3 It is anticipated that in the current climate retendering a like for like service will result in an increase in costs of around £30 - £35k p.a. It is noted that there are a number of other grounds maintenance contracts in neighbouring authorities that expire at a similar time. A joint contract partnership with a neighbouring Authority may reduce the contract price.

Option 3 Contract extension

3.4 The current contract value is £280,000 per annum and a contract extension allows for an inflation only increase in annual budget.

3.5 A contract extension will also provide the opportunity to pilot innovative environmental improvements prior to the end of the current contract term, such as electrification of equipment, adapting cutting schedules to achieve greater wildflower growth and ceasing the use of glyphosate. Initial discussion with the contractor have indicated that these could be delivered at no additional cost.

3.6 The introduction of an additional ‘rapid response’ resources will result in an additional contract expenditure of between c £40,000-£50,000. This additional cost will be met by savings from vacant posts within the Parks and Environment team.

4.0 Legal Implications

The ability to extend this contract by four years at MVDC’s sole discretion is included within the conditions of contract and is compliant with the Public Contracts Regulations 2015 and the Council’s Contract Standing Orders. Formal notice to extend the contract will need to be issued by no later than 31 December 2020.

Contract clause 3

“The Council may extend this agreement beyond the Initial Term by a further period of four years (First Extension Period) followed by a further period of three years (Second Extension Period). If the Council wishes to extend this agreement, it shall give the Contractor at least 12 months’ written notice of such intention before the expiry of the Initial Term of First Extension Period.

If the Council gives such notice then the term shall be extended by the period set out in the notice.”

5.0 Risk Implications

	<u>Option 1</u> In-house service	<u>Option 2</u> Outsourced Service	<u>Option 3</u> Extend current contract
Opportunities / benefits	<p>More control over workforce.</p> <p>Greater flexibility to align the service to Council priorities.</p>	<p>Specification can be updated to reflect current Council priorities.</p> <p>Financial risk sits with Contractor.</p> <p>Contractor is required to meet a specific</p>	<p>Certainty over price.</p> <p>Continuation of good performance standards.</p> <p>Opportunity to pilot innovative</p>

	Option 1 In-house service	Option 2 Outsourced Service	Option 3 Extend current contract
	Opportunity to enhance standards.	performance standard.	improvements prior to contract end.
Risks	<p>Reputational risk of providing poor standard of service.</p> <p>Changes to legislation, operational capability, fuel costs may make it more difficult to estimate and maintain accurate annual budgets.</p> <p>No experience of direct GM service provision.</p> <p>Significant additional demands on back office support functions – particularly HR, Legal and Finance.</p>	<p>Reduced market competition may result in increased contract costs 10 - 15%.</p> <p>There is an increased risk of instability of performance at the commencement of any new contract.</p>	May be limited ability to enhance standards.

6.0 Options

- a) **Cabinet agrees to extend the current grounds maintenance contract (recommended):** Extending the contract will provide certainty of contract costs and opportunities to pilot improvements that align to the Council's strategic priorities.

- b) **Cabinet asks for the contract to be re-tendered (not recommended):**
Retendering the contract in the current climate is likely to increase costs in the region of c £30–35K p.a.

- c) **Cabinet instruct officers to bring the service in house (not recommended):**
Bringing the service in house will lead to an increase in costs and will require significant input from legal, HR, Finance and the parks team over the next 12 months, which would impact on the ability to deliver other planned projects, particularly some of those included in the Climate Change Strategy Action Plan

7.0 Corporate Implications

Monitoring Officer commentary

The Monitoring Officer is satisfied that the relevant legal implications have been taken into account.

S151 Officer commentary

The Section 151 Officer confirms that all relevant financial implications have been taken into account.

Equalities Implications

There are no equality issues associated with this report.

Employment and Resource Implications

Option 1 in house service

An in house service would require considerable input from the Parks and Environment, HR and Legal and Finance teams and will require additional specialist resources to support to mobilisation.

Option 2 Re-procure an outsourced contract

This can be delivered within existing resources, although may require some reprioritisation of planned projects to deliver.

Option 3 extend current contract

There are no employment and resource implications associated with this option.

Sustainability Issues

MVDC has declared a Climate Emergency and made a commitment for the Council and our Contractor's to become carbon neutral by 2030.

In the past few years the current contractor has evidence their commitment to improving the environment by replacing the use of peat with a mushroom compost.

Going forward, all three options provide further opportunities to incorporate innovate service changes to improve MVDC's environmental impact and reduce carbon emissions.

Current priorities to reduce the carbon footprint and improve the environmental impact of this service are to:

- Cease the use of glyphosate,
- Electrification of equipment and fleet; and
- Implementation of a revised the cutting schedule to encourage more wildflowers to grow.

If Members choose to extend the current grounds maintenance contract such improvements may be piloted prior to December 2021, making a positive impact on MVDC's carbon footprint sooner than otherwise would be achieved.

Consultation

None.

Communications

There are no communications implications as a consequence of this report.

Background Papers

None