

Cabinet Member delegated decision

Decision Due: 7 December 2015

Report title: Grounds Maintenance Services – Delivery Model Evaluation

Wards: All

Report Authorised by: Sue Foster, Strategic Director for Neighbourhoods and Growth

Portfolio: Councillor Jane Edbrooke, Cabinet Member for Neighbourhoods

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Report summary

At its meeting on 12 October 2015 the Cabinet agreed the “Culture 2020” report; a strategy to achieve our vision for cultural services in Lambeth. With a measurable outcome of engaging 85% (currently 70%) of our residents in cultural activities that supports them to better manage their health and wellbeing needs.

This report focuses on one aspect of the culture 2020 vision: the continued provision of high quality grounds maintenance services in the context of a reduced operating budget. To achieve this aim officers have carried out a pre-market engagement exercise to identify the best Grounds Maintenance (GM) Service Model.

This paper draws on that exercise to make recommendations for the future management of GM across Parks and Open Spaces (including cemeteries and crematoria).

Finance Summary

The budget for Cultural Services will be reduced from £10.4m in 2013/14 to £6.5m by 2018 as part of the council’s overall strategy to reduce expenditure by £238m as result of the government’s policy of austerity.

The recommended option to deliver GM services for Parks, Open Spaces, Cemeteries and Crematoria will allow the service to deliver its outcome based budgeting savings target with a shortfall of £64k against the allocated budget in the three years 2016/17 to 2018/19. There is an option for reducing the shortfall which involves the use of existing plant/equipment in year one. The in-house service will provide an opportunity to sell the service in future creating economies of scale and increasing income in future years to balance the budget. The purchasing of equipment from capital expenditure rather than hiring has also been considered but would require separate approval.

Recommendations

- (1) To approve the delivery of grounds maintenance services to Parks, Open Spaces that includes Cemeteries and Crematoria, directly via an integrated in-house delivery and management model from the 1st of April 2016 to a value of £3.343m per annum
- (2) To note the commitment to undertake a review, within two years of implementation, examining the effectiveness of the in-house model to provide operational services.

Reason for Exemption from Disclosure

The accompanying part II report is exempt from disclosure by virtue of the following paragraphs of Schedule 12A to the Local Government Act 1972:

Information relating to the financial or business affairs of a particular person. (Including the authority holding that information).

1. Lambeth Context

- 1.1 As part of the council's cultural offer to residents, we want to continue to provide high quality parks and open spaces that support our residents to be healthier for longer.
- 1.2 We are proud of our track record and achievements in supporting local communities to take an active part in shaping our service. We have ambitious plans to make parks not only more accessible for users but through our "Pioneer Parks" programme devolve responsibility for the maintenance of some parks to local organisations. Where the skills and potential within the pioneer programme adds value for the wider community.
- 1.3 The drivers for the future service.
 - Deliver the agreed service specification
 - Achieving a balanced budget
 - Introduce flexibility to support future integration with other council functions

1.4 Existing Contractual Arrangements

Land Type	Provider	Client and Support	End date
Grounds Maintenance			
Parks and Open Spaces	Veolia	Lambeth Environmental Team	March 2016
Cemeteries and Crematorium	Veolia, Lambeth Direct Labour	Lambeth Environmental Team	March 2016

The Current Delivery Model

- 1.5 **Parks and Open Spaces** - Veolia (the incumbent contractor) provides the operational front-line activity. The council provides support services, contract management and strategic development functions etc.
- 1.6 **Cemeteries and Crematoria** - Veolia provides high volume GM services (grass cutting etc.) via a variation to the Parks and Open Spaces contract. The council provides specialist GM functions that include grave digging. The support functions are also provided by the council.
- 1.7 The existing models are common in many of the contracts we currently manage in Lambeth and are equally common in local government. This model proved popular in the face of Compulsory Competitive Tendering (CCT). While it undoubtedly provided comfort to councils not necessarily skilled in managing suppliers, it also introduced additional bureaucracy and duplication that increase service cost.

2 Pre-Market Engagement – Process

- 2.1 The council is determined to use its influence to shape the traditional market and develop new delivery options from other areas that are not always considered. Widening the supplier base in this way creates greater competition amongst the established and developing provider markets, not only in terms of reducing cost but also in the introduction of innovative solutions that draw on the skills, experience and resources that exist across the whole of the system.
- 2.2 Pre-market engagement provides an opportunity to understand how we best deliver the type of service we want, with the flexibility to meet the unprecedented financial challenge and take full advantage of the opportunities presented by the cooperative parks programme.
- 2.3 The engagement exercise does not attempt to circumvent procurement rules, it simply provides in depth assessment of the models that exist within traditional markets and alternative options that may require some development. The exercise was not designed to determine the provider; it was designed to establish the preferred delivery model and the appropriate procurement/implementation route.
- 2.4 Full details of the evaluation methodology are included at Appendix A.

Options for Evaluation

- 2.5 Officers have as part of this options appraisal considered a number of service delivery models that included:
 - External Providers (existing framework or open-market)
 - Extension of existing Incumbent Contract with greater integration to waste services
 - The creation of an in-house Direct Labour Service
 - Utilising existing Local Authority provider options

- Federating Services

Options Ruled Out - ahead of the pre-market engagement

- Federating Services

2.6 Discussions with neighbouring authorities highlighted that existing contractual commitments did not naturally align with those of Lambeth. Additionally there did not appear to be an appetite to federate services at this point. On this basis the option to federate with neighbouring authorities has been ruled out.

3 Proposal and Reasons

3.1 It is proposed that the Council creates a direct labour team to provide GM services across Lambeth Parks and Open Spaces and Cemeteries and Crematoria.

3.2 Ultimately the creation of an in-house direct labour team will bring together in one organisation the responsibility for providing the day to day service with responsibility for providing the client function. This will have the following benefits:

3.3 The in-house service provides the flexibility required to respond to future service needs, whether this is reducing services in Pioneer Parks or increasing capacity to expand the service into new areas within the council and potentially further afield.

3.4 The in-house option provides additional flexibility to adapt services to encourage investment from external sources and maximise opportunities for income generation.

3.5 A single Council provided service will operate in an environment where **outcomes aligned** with those of the wider Council. The in-house service does not need to be incentivised to drive income, reduce operating cost or improve the customer experience and will operate free from the demands of shareholders, the need to maintain profit or to deliver parent company priorities.

3.6 An integrated service - whether in-house or fully externalised - provides **greater accountability** for service users, senior council officers and elected members. The integrated service places the levers for service management and development in one place, leaving little doubt around who is responsible.

3.7 The integrated model also **removes duplication** that exists in the traditional model, ensuring more of the available resource is targeted at front line service delivery.

3.8 **Customer Experience** will be enhanced through the simplification of the existing processes and the transfer of responsibility to the in-house provider.

3.9 The table (2) below details the existing process for the managing of customer enquiries or complaints, and how this will be simplified in the new model.

Function	Existing		Proposed
	Veolia	The Council	The Council
Complaints and Enquiries	4. Complaint Received 5. Complaint investigated 6. response sent back to Council 8. Operational changes implemented applied	1. Complaint received and logged in Icasework (corporate) 2. sent to the service area 3. sent to the contractor 5. Complaint investigated 7. The response is received logged in I casework and sent to the complainant 9. Operational changes monitored	1. Complaint received and logged in Icasework (corporate) 2. sent to the service area 3. Investigated by the service area 4. response drafted logged on Icasework and returned to complainant 5. Operational changes implemented 6. Service monitored

(Table 2)

This single organisation reduces the number of hand-offs and steps that need to be taken to resolve a resident complaint.

- 3.10 Included in the proposals is the retention of the technical expertise to ensure we comply with current and future legislation, and properly support Councillors in all matters relating to Grounds Maintenance in Parks, Cemeteries and Crematoria. This responsibility will mirror the existing arrangement to ensure we continue to hold operational and strategic oversight.

How will this look and feel for residents?

- 3.11 In the overwhelming majority of cases, residents will not notice any changes to their Parks Service as a result of these proposals.

*Residents will experience a different service **when**:*

- 3.12 **They have a complaint.** The Council will no longer act as an intermediary between the resident and an external provider, the Council will respond directly to the resident with all of the operational knowledge and levers required to ensure the complaint is dealt with and lessons learnt are applied to prevent avoidable reoccurrence.
- 3.13 **We hold the provider to account.** With the Council responsible for all elements of the service, it will be easier for Councillors, Residents and friends of groups to raise issues with the single provider safe in the knowledge that there is no buck-passing The Council has well set out compliant and escalation process that will ensure officers responsible for the service are accountable at all times.
- 3.14 **We want to change the service in future.** Residents will have the opportunity to shape the service in direct conversations with the in-house provider. This single

system approach will provide more opportunity to introduce local solutions that work for their community.

- 3.15 New technology is introduced as part of these changes.** The new technology introduced as part of these changes will modernise the service, making it more efficient. This means that more capacity for front line service and supporting residents on the ground.

How will we know these changes are working?

- 3.16 Performance information will provide senior officers, Councillors and residents with an overview of how well the service is performing. The Council's in-house team will provide a monthly performance digest that sets out exactly how the service is performing. The information held on Council systems will be easily accessible to all areas of the Council making it more reliable, easier to interpret and use to make strategic service decisions.
- 3.17 Analysis of the service requests and complaints that come in via the service centre and in writing will identify if any problems exist. Our Customer Relationship Management and Tableau systems will hold all of the data and allow us to ensure the new system is working. A process of quality assurance will sample responses to complaints and service requests to ensure that the provider is responding in a way that meets Lambeth Council customer standards. Internal audit will provide assurance periodically that our process and controls are in place to give us the comfort that the information we are using is accurate and up to date.
- 3.18 Assurance that the changes are working will also come via Councillor, Friends of Groups and residents who will experience the service and our approach to customer experience at first hand with the ability to feed back through their dedicated in-house representative.

What if it goes wrong?

- 3.19 It is proposed that officers' conduct a review in year two following implementation, to examine the effectiveness of the in-house model and determine its continued suitability for the provision of direct services.
- 3.20 The council retains the right to out-source the service if the in-house model does not deliver added value over that which could be gained from a for profit provider.

4 Finance

- 4.1 The Council has agreed to reduce expenditure on Cultural services from £10.4m in 2014 to £6.5m by 2018 as part of the council's overall strategy to reduce expenditure by £238m as result of the government's policy of austerity.
- 4.2 The table below assumes a £200k income for years 2016/17 and 2017/18 from the Greenwich Leisure Limited contract. This funding is available to protect sports facilities within parks.
- 4.3 The recommended in-house option to deliver GM services for Parks, Open Spaces, Cemeteries and Crematoria will allow the service to deliver its OBB savings target with a

shortfall of £64k against the allocated budget in the three years 2016/17 to 2018/19. The in-house service option costs, available budget and shortfall are set out in the table below.

Item	Value £'000s
Retained Lambeth costs (maintenance, utilities)	385
Parks and Cems & Crems Service Costs	2,117
Capital Depreciation / Equipment Hire	132
Trees Maintenance Service	800
Cost of Delivering In-House Service Option	3,434
Available Budget	3,370
Shortfall	(64)

4.4 To mitigate the projected overspend in year one a proportion of the existing plant/equipment currently being used will (subject to assessment) continue to be used in the first year of the proposed new service. It is anticipated that future years will provide further income opportunities by selling the service to internal/external land owners across the borough.

4.5 There is also an opportunity to invest up to £660k of capital at the start of the contract to purchase the Plant, Equipment and Uniforms/PPE there would be saving of up to £132k p.a. to the revenue budget which could be used to address the £64k p.a. shortfall. However separate approval for this would be required.

5 Legal and Democracy

5.1 Local authorities are under a general Duty of Best Value, which requires them 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.

5.2 If the grounds maintenance service is delivered in-house it is likely that the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) will apply. The 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' employment with the current provider.

5.3 The Council should undertake due diligence and obtain information from the current provider in order to assess accurately the likely staffing costs, including any costs arising from any post transfer restructure of the service and any potential liabilities arising from employment related claims. Specific advice and support should be sought from Legal Services and Human Resources.

5.4 Pursuant to section 149 of the Equality Act 2010 the Council has a duty to have due regard in its decision making processes to the need to: (a) eliminate discrimination,

harassment, victimisation or other prohibited conduct; (b) advance equality of opportunity between persons who share a relevant protected characteristic and those who do not; (c) foster good relations between those who share a relevant characteristic and those that do not share it.

- 5.5 This proposed key decision was entered in the Forward Plan on 23rd October 2015, and the necessary 28 clear days' notice has been given. In addition, the Council's Constitution requires the report to be published on the website for five clear days before the proposed decision is approved by the Cabinet Member. Any representations received during this period must be considered by the decision-maker before the decision is taken. A further period of five clear days - the call-in period – must then elapse before the decision is enacted. If the decision is called-in during this period, it cannot be enacted until the call-in has been considered and resolved.

6 Consultation and co-production

- 6.1 Officers have engaged with the Friends of and user groups through the chair of the Lambeth Parks and Open Spaces forum. The engagement has focused on.

- The production of the revised Parks and Open Spaces service specification.

- 6.2 The Unions have also been consulted and have contributed to the production of the in-house model that is being recommended in this report.

7 Risk management

7.1 Transitional Risk

- 7.1.1 A robust project management approach will be used throughout the duration of the implementation phase. A Project Board will include senior HR, Finance and Management representation. The Board will provide suitable governance and oversight to support the complex in-sourcing process including due diligence on matters of health and safety and compliance with legislation. The Board will also undertake to support staff that are impacted by the proposal and reduce the risk of service underperformance during the transitional period.

- 7.1.2 A project initiation document (PID) and implementation timeline are set out in appendix 1A.

7.2 Service Risk

Issue	Mitigation/Action
Salary scales used for the in-house Bid forecast are increased following JD evaluation, this will increase costs. Resulting in reduced operational capacity.	Benchmarking with London Authorities indicates proposed scales are consistent with those paid in other insourced GM services.
The service is not provided to the levels expected.	<p>Officers will measure the impact the service has on outcomes and review these within year two of this option being evaluated.</p> <p>With no set contractual term the council retains complete flexibility to re-engage the market to seek an alternative supplier.</p>
Union and staff unrest – risk of redundancy	Staff from the incumbent contractor that transfer to Lambeth will receive enhanced terms, conditions (increased pay, holiday entitlement, reduced working hours) this will offset to some extent the risk in all three options of redundancies. Existing Lambeth staff will follow the standard change management process with existing safeguards in place.
<p>The difficulty in the disaggregation of budget and its allocation to Pioneer Parks</p> <p>Overheads, plant and shared resource cost cannot be separated and this could create additional budget pressures.</p>	Clarification from officers of the level of funding that can be disaggregated. Couple with early discussions with Pioneer parks to ascertain their intentions will inform senior officer/political decision making.
The incumbent contractor is not cooperative in terms of supporting the winding down of the existing contract and the transfer of assets and staff subject to TUPE	Veolia are the incumbent contractor. However with a long-term relationship with Lambeth, Veolia will honour the exit arrangements in the current PGM contract.
Citizen voice is not heard.	The in-house model improves accountability and the ability of residents and users to identify the responsible officers and engage directly with them.

8 Equalities Impact Assessment (EIA)

An EIA was completed as part of Culture 2020 report, however the equalities panel identified several issues that officers were asked to address.

It is therefore proposed that on completion of the pre-market engagement exercise and agreement of the proposals set out in this document that a second model specific EIA be conducted. Providing an opportunity for the Council to address in detail the issues raised by the EIA panel.

As part of the Lambeth change management process a Staff EIA will also be carried out as part of the business case for change.

9 Community safety - None

10 Organisational implications

10.1 **Environmental** – The environmental implications associated with the report are contained within the main body of the report

10.2 Staffing and accommodation

The proposal set out in this report will require the transfer of staff with the function they perform from Veolia into the local authority. The number of staff set to transfer is yet to be determined; however, staff will be protected by The *Transfer of Undertakings (Protection of Employment) Regulations 2006*.

Additionally there will be a number of Lambeth officers and operatives that may be impacted by this proposal. Any changes that impact Lambeth staff will be introduced following the councils standard consultation and staff change management processes.

10.3 **Procurement** - The recommendation to create an in-house team will require procurement support during its implementation stage, particularly in the areas of vehicle and plant. However the decision to insource itself has no procurement implications.

10.4 **Health** – The ability to positively impact health and wellbeing outcomes for citizens are set out in the body of the report

11 Timetable for implementation

11.1 The Project Board will manage the transition from the existing service to the proposed in-house service. The Board will include senior management from appropriate areas of the council with when required and will support the complex systems changes and staff that might be impacted by the proposal.

Date	Action
27/11/2015	Decision Published
07/12/2015	Decision Signed off By Cabinet member
14/12/2015	Call-in Complete
December 2015 – March 2016	Staff Consultation and Change management process
31/03/2016	End of Existing GM contract
01/04/2016	In House service
March 2018	Two Year Review

Audit trail				
Consultation				
Name/Position	Lambeth cluster/division or partner	Date Sent	Date Received	Comments in para:
Cllr Jane Edbrook – Cabinet Member	Neighbourhoods	20.11.2015	20.11.2015	Throughout
Sue Foster	Strategic Director Neighbourhoods and Growth	19.11.2015	20.11.2015	Throughout
Hamant Bharadia - Finance	Business Partnering	12.11.2015	18.11.2015	Section 4
David Thomas - Legal Services	Enabling: Integrated Support	12.11.2015	19.11.2015	Section 5
Henry Langford - Democratic Services	Enabling: Corporate Affairs	20.11.2015	23.11.15	Section 5
Adrian Smith	Commissioning Director	12.11.2015	13.11.2015	Throughout
Doug Perry	Associate Director Commissioning	12.11.2015	13.11.2015	Throughout
Raj Mistry	Delivery Director	20.11.2015		Throughout
Internal Officer Board	Date of meeting			
Procurement Board	19 th November 2015	12.11.2015	19.11.2015	Throughout
External				

Report history	
Original discussion with Cabinet Member	14.10.15
Report deadline	N/A
Date final report sent	N/A
Report no.	N/A
Part II Exempt from Disclosure/confidential accompanying report?	Appendix A – Evaluation Methodology Appendix 1A – Implementation Plan
Key decision report	Yes
Date first appeared on forward plan	23.10.15
Key decision reasons	Expenditure, income or savings in excess of £500,000 Meets community impact test
Background information	Cabinet Report Culture 2020 – 12 October 2015
Appendices	Confidential Evaluation report

APPROVAL BY CABINET MEMBER OR OFFICER IN ACCORDANCE WITH SCHEME OF DELEGATION

I confirm I have consulted Finance, Legal, Democratic Services and the Procurement Board and taken account of their advice and comments in completing the report for approval:

Signature _____ **Date** _____

Michael Clarke
Lead Commissioner

I confirm I have consulted the relevant Cabinet Members, including the Leader of the Council (if required), and approve the above recommendations:

Signature _____ **Date** _____

Cllr Jane Edbrooke
Cabinet Member for Neighbourhoods

Any declarations of interest (or exemptions granted):

Issue	Interest declared
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