

Please note Part 2 report is now confidential appendix.

London Borough of Enfield

Portfolio Report

Report of: Doug Wilkinson – Director of Environment & Operational Services

Subject: In-sourcing of Highway & Housing Grounds Maintenance Service

Cabinet Member: Cllr. Dogan

Executive Director: Sarah Cary

Ward: All

Key Decision: KD 5238

Purpose of Report

- 1.1 To seek authorisation to in-source the highway and housing grounds maintenance service that is currently outsourced to Glendale Countryside Limited (Glendale).

Proposal(s)

- 2.1 To approve the in-sourcing of the highway and housing grounds maintenance service with effect from 1st April 2021 or as soon as practicable.
- 2.2 To procure the necessary machinery required to deliver the service, as outlined in paragraph 17.2 below.
- 2.3 To transfer operational staff from Glendale to the Council via the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE).
- 2.4 To provide the grounds maintenance service across all relevant highway and housing land.
- 2.5 To consider the development of a commercial element to the service, enabling the selling of services to private land managers, industrial estates, schools etc. to generate income to support the Council's budget position.

Reason for Proposal(s)

- 3.1 An in-sourced service will cost the Council less to deliver and provide an estimated saving of £127,222 per annum, based on a like-for-like service with that offered by Glendale through a five-year contract extension.
- 3.2 The insourcing of the highway and housing grounds maintenance contract will give the Council more flexibility and greater control of the service than under the current arrangement. Managers will be able to direct operatives specifically where the service is required and can be more responsive to emergencies without the need for contract variations. The in-house service will also be more resilient as it will benefit from a larger group of similarly skilled, locally based staff, who are already providing grounds maintenance within the parks and cemetery services. This builds capacity into the service to cover sickness (particularly as the Coronavirus pandemic continues to challenge operational delivery) and reduces the risk of fleet mechanical issues impacting on service delivery by being part of a larger pool of fleet vehicles and equipment.
- 3.3 A further benefit is that the service will be able to react to changing customer needs without the need to go back to the contractor to renegotiate. For example, there could be a scenario where stakeholders request a higher frequency of grass cutting in some areas or naturalised management for wildlife benefit in others. This scenario would be more easily achieved with an in-house service where there can be greater flexibility to react to changing demands.
- 3.4 In these times of challenging financial conditions, income generation is crucial, and with an in-house service the Council will have the ability to bid for private grounds maintenance work. Combined with the Council's suite of in-house public realm services, the Council will be able to provide a comprehensive hard and soft landscape service offer for potential customers such as schools, industrial estates, retail parks and private housing developments.
- 3.5 With a skilled and highly trained workforce already operating the parks and cemeteries grounds maintenance services, there is a strong rationale to deliver the service in-house and employ the staff directly. There is already the infrastructure to support the service via a geographically spread network of depots and comprehensive lines of supervision that will enable the service to be delivered efficiently and effectively.
- 3.6 All of the factors listed above demonstrate that the Council is well positioned to provide a high-quality efficient service that will be cheaper, more responsive and more resilient than the current outsourced service.

Relevance to the Council's Plan

- 4.1 Good homes in well-connected neighbourhoods

The provision of good quality well maintained green spaces is an important aspect of providing good quality homes and neighbourhoods. The in-sourcing of the highways and housing grounds maintenance service will support this priority by providing a high-quality service for the residents of the borough.

4.2 Sustain strong and healthy communities

The provision of employment opportunities is an important part of providing strong and healthy communities. Notwithstanding the TUPE requirements for the existing workforce to transfer into the Council's employment, the in-sourcing of this contract will potentially create new opportunities for local people to source employment as the service grows.

4.3 Build our local economy to create a thriving place

The in-sourcing of the grounds maintenance contract creates several opportunities to build the local economy through the provision of services to a range of other land managers located within the borough including education, retail parks, private residential areas, hospitals etc. With control over the supply of materials, the Council can also look to work with local suppliers, which is not currently possible with the externalised contract.

Background

5.1 The Council currently outsources to Glendale Countryside Limited (Glendale) to provide grounds maintenance services across the borough's highway and housing land. The contract with Glendale includes services such as grass cutting, shrub maintenance, hedge cutting, the edging of verges, flower bed maintenance etc. The initial 5-year term of the contract with Glendale will end on 31 March 2021.

5.2 With the contract coming towards an end, Glendale has written to the Council to express their desire to extend the existing contract for a further five years. In their letter, Glendale has stated that the current contract, which was priced in 2016 currently has lower than inflationary uplifts built in and is loss making to them on the core grounds maintenance elements. If the Council chooses to contract Glendale to undertake the core grounds maintenance services for a further five years, then the current representative value of this element of the contract would need to be increased by 16% to be consistent with market rates.

5.3 Glendale's proposed increase was anticipated given that they were the lowest bidder by nearly 13% when they won the tender in 2016. With their proposed uplift of 16%, the new contract value is equivalent to the price of the second placed bid received in 2016. This fact demonstrates that Glendale submitted a financially unsustainable bid in 2016 and their proposed increase would still likely to be significantly lower than their competitors, were they to bid again now.

5.4 The proposed contract increase by Glendale has given the Council the opportunity to review the delivery model and cost of the contract.

Notwithstanding the political desire to in-source services where it is practicable, the appraisal of the available options (listed within section 18 below), has concluded that in-sourcing the service, with delivery managed by the park's and cemetery's operations team, offers the borough's residents the best combination of quality and value for money. As outlined in section 3.1 above, the in-sourcing of the contract is expected to deliver an average saving of £127,222 per annum, when compared with the proposal submitted by Glendale. For details of the financial appraisal for both the proposed revised Glendale contract and the cost of delivery by the Council please refer to the Part 2 report.

- 5.5 The rationale for bringing the contract in-house includes:
- An average financial saving for the council of £127,222 per annum over the five years of the proposed Glendale contract extension;
 - Greater control over the quality, timing and scope of works being undertaken;
 - The ability to achieve operational efficiencies both in terms of machinery use and the deployment of operatives;
 - The ability to build resilience within the service, particularly during these operationally challenging times;
 - An opportunity to grow the service commercially and bid for grounds maintenance contracts on private land;
 - The ability to react quickly to changing customer's needs.
- 5.6 As part of the assessment of options, the service has benchmarked the current contract with the cost of an in-house service and other external providers. As outlined above, a new contract with Glendale does not provide the best value for our residents. The benchmarking has identified that if we were to engage the ESPO¹ Framework 245 (Lot 1 – Grounds Maintenance) a comparative contract would cost the Council an additional 11% to the price submitted by Glendale. A new tender exercise could potentially identify savings, but as stated above, this is unlikely because Glendale's contract price was nearly 13% cheaper than the next bidder in 2016 and their proposed increase of 16% only brings their contract price in line with the price of other bids from 2016. There is no reason to believe that the other contractors would have held or lowered their prices since.
- 5.7 Experience has shown from the in-sourcing of the cemetery grounds maintenance and grave digging contract that the parks operations team have the skills, expertise and supervision structures to manage new activities. This process has also shown that in-sourcing allows for a more flexible service with greater resilience due to the economies of scale.
- 5.8 Subject to the recommendations within this report, Glendale's operational staff will be eligible for Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). There will be a resource implication to undertake the TUPE of staff into the organisation which has been estimated as 110 days of predominately Scale 6 and So2 officer time. However, whilst this could be viewed as an additional cost to the in-sourcing exercise, it will be more than offset by the amount of officer time that would be required to

¹ Eastern Shires Purchasing Organising

procure a new contractor. The procurement team has estimated that a large complex procurement, such as the grounds maintenance contract, could take up to 400 officer days, with most of the resource provided by an MM level procurement manger.

- 5.9 As outlined in paragraph 5.1, Glendale provide grass cutting, shrub maintenance, path edging, hedge cutting, flower bed maintenance etc. for the highway verges and all the Council's housing stock. In the current contract there is also provision for one-off landscaping projects, such as the creation of rain gardens, clearance work and sustainable urban drainage schemes adjacent to the highway. Moving forward officers will appraise the most appropriate method of delivering each project, whether that be via the in-house service or with other service providers.

Main Considerations for the Council

- 6.1 The main considerations for the Council is whether:
- The service can be delivered in-house for a comparable or lesser cost than the private sector;
 - The contract can continue to be delivered to the same specification and standard provided by the current contractor;
 - The in-sourcing of the contract offers the Council new income opportunities through the provision of the service to private and other land managers;
 - The in-sourcing of the service provides the Council with greater resilience both for the highway & housing ground maintenance service, but also parks and cemeteries;
 - An in-sourced service gives the Council greater control over how the service will be delivered, and a higher level of flexibility to react quickly to customer's needs.
- 6.2 The answer to all these considerations is yes, and consequently the recommendation is to approve the in-sourcing of the highway and housing land grounds maintenance service when the initial 5-year term of the contract with Glendale expires at the end of March 2021.

Safeguarding Implications

- 7.1 It is not believed that there are any safeguarding implications from the proposals set out within this report.

Public Health Implications

- 8.1 The open spaces located within Council housing areas and some of the larger highway verges e.g. Sweet Briar Green, provide valuable green spaces for the local community to play and exercise within. The in-sourcing of the Glendale contract will ensure that the open spaces continue to be maintained to a high standard allowing residents to use the spaces for their health and wellbeing. It will also give the Council greater flexibility e.g. to reduce maintenance activity if that might increase biodiversity.

Equalities Impact of the Proposal

- 9.1 It is not believed that there are any equalities implications from the proposals set out within this report. The transfer of staff will be undertaken in line with the Transfer of Undertakings (Protection of Employment) Regulations 2006.

Environmental and Climate Change Considerations

- 10.1 The in-sourcing of the contract offers the Council the opportunity to reduce the CO₂ emissions emitted as a result of the contract via a reduction in vehicle movements and potentially the use of low or zero carbon fuel options including electric vehicles.
- 10.2 Currently, Glendale operate from a depot at Cook's Hole Road in the north of the borough. The contractor needs to travel significant distances to reach housing and highway sites in the south of the Borough. The in-house service would benefit from a greater number of geographically spread depots that would reduce journey distances and the emissions from the fleet. The in-house service will also allow the Council to directly monitor fuel consumption and reduce it where possible.
- 10.3 As part of the fleet procurement there would also be the opportunity to consider low or zero carbon fuel options including electric vehicles, which if feasible, would reduce further the emissions directly attributable to the service.
- 10.4 Whilst there will likely be a reduction in fleet emissions over time, by moving the service in-house this will mean it is included in the Council's direct emissions so they will be included when looking at future performance against the Climate Action Plan target of being a carbon neutral organisation by 2030.

Risks that may arise if the proposed decision and related work is not taken

- 11.1 The Council would need to enter into the contract extension at the rates proposed by Glendale or risk not having a contractor to provide the services.
- 11.2 The council would lose the ability to bid for private work and the commercial benefits associated.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

- 12.1 One of the key risks associated with the in-sourcing of the contract is the operational risk of service failure caused either by mechanical failure or operational management. Failure of the machinery is mitigated by greater service resilience created by bringing it in-house with the existing parks and cemeteries grounds maintenance services. Alignment with these services will mean that where necessary machinery could be shared between the

services or taken from a larger pool to mitigate mechanical issues and periods of servicing. Robust supervision will be ensured by replicating the existing supervision arrangements within the Parks Operations and Cemeteries management structures.

- 12.2 Should there be an operational service failure then there would also be a potential reputational risk to the Council. This will be mitigated by ensuring that supervision is in place to performance manage the grounds maintenance to ensure a high-quality service.
- 12.3 A further risk is financial through cost escalation and overspend. This risk will be mitigated through prudent monthly budget management. Expected costs for labour and plant etc. have been benchmarked with contractor's costs and a further contingency has been allowed for.

Financial Implications

13. Please see the Part 2 report (Appendix 1) for financial details.

Legal Implications

- 14.1 14.1 Section 1 of the Localism Act 2011 ('LA 2011') permits the Council to do anything that individuals generally may do provided it is not prohibited by legislation and subject to public law principles – this is referred to as the 'general power of competence'. Section 111 of the Local Government Act 1972 permits local authorities to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of their functions.
- 14.2 The potential income generated selling services to support the council's budget position as detailed in this report must take account of the following:
- Section 93(1) of the Local Government Act 2003 ('LGA 2003') provides power to charge for discretionary services and is subject to a duty to secure that, taking one financial year with another, the income from charges under that subsection does not exceed the costs of provision. Further that the authority is authorised, but not required, by an enactment to provide the service to him, and he has agreed to its provision;
 - In relation to the general power of competence as referred to above, subject to certain limitations section 1(4)(b) of the LA 2011 confers power to act for a commercial purpose or otherwise for a charge or without a charge. Section 3(2) of the LA 2011 limits the power to charge in that:
 - what is being charged for is not one that a statutory provision requires the authority to provide to the person;
 - the person has agreed to its being provided; and
 - Ignoring section 93 of the LGA 2003 the council does not have power to charge for providing the service.

- Similar to section 93(1) of the LGA 2003, section 3(3) of the LA 2011 makes the general power of competence subject to a duty to secure that, taking one financial year with another, the income from charges does not exceed the costs of provision.
- 14.3 If the intention of creating an income is to trade for a commercial purpose in order to make a profit then Enfield Council can only enter into such arrangements through a company. Section 95 of the LGA 2003 provides for power to trade in function-related activities through a company.
- 14.4 The purchase of machinery, vehicles and equipment shall need to be in accordance with the council's constitution and in particular the Contract Procedure Rules (CPRs). In addition, the Council shall be required to follow the Public Contracts Regulations 2015 if such purchases are to be above the relevant EU Threshold in value.
- 14.5 The Council must comply with its obligations under the Transfer of Undertakings (Protection of Employment) Regulations 2006 in respect of any staff who may potentially transfer to the Council from the current provider of services, Glendale.
- 14.6 The decision to in-source this service is a Key Decision and the Council must comply with its governance process in respect of Key Decisions. Key decisions are defined as a proposal which:
- Involves expenditure/savings of £500,000 or above including proposals phased over more than one year and match/grant aided funding, with a total of £500,000 or above;
- or
- Has significant impact on the local community in two or more wards.

Workforce Implications

- 15.1 As outlined in paragraph 5.7 above, Glendale's operational staff will be eligible for Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). There are 25 staff that will be eligible for TUPE transfer. The potential transfer of staff is considered a positive move for the staff as they will benefit from the pay and condition benefits provided by the Council.

Property Implications

- 16.1 The depot on Cook's Hole Road close to Hilly Fields open space in the north of the borough is currently the operational base for Glendale's grounds maintenance operations. It is understood that no rent is currently paid by the contractor providing the ground maintenance service to the Council as the depot accommodation is provided as part of their contract. This will continue whilst the contractor continues to provide a service to the Council.

- 16.2 It is understood that whilst Glendale would no longer provide the core grounds maintenance contract, they have expressed an interest in retaining the Cook's Hole Road Depot for project work that may potentially be commissioned by the Council. Consequently, it will be necessary to review the nature of their occupation and document appropriately in a format approved by the Director of Law and Governance.
- 16.3 In the event that Cooks Hole Depot is no longer required as an operational property, Strategic Property Services will provide advice as to the most appropriate way forward to protect and secure the property and if deemed surplus as an operational property, seek alternative use possibly advertising the property on the open market in accordance with Property Procedure Rules in order to obtain rent income for the Council.

Other Implications

- 17.1 This proposal has been developed in consultation with and support from the Highway Team who currently manage the contract as the client. The Housing Team has been consulted and Officers will continue to work with the services if the decision is taken to in-source the contract to ensure their stakeholders are aware of the change of provider.
- 17.2 As part of the contract implementation and delivery of the service there will be a need to purchase vehicles and equipment, the annual costs of which have already been submitted within the finance section of this report. The schedule of asset requirements has been agreed with the fleet department with the annual costs being recharged from fleet back to the service as is done with other internal service vehicles. Procurement and purchase will be undertaken by Fleet through their normal procurement methods with delivery of equipment being in time for the start of the contract

Options Considered

- 18.1 To continue to employ Glendale to undertake the core grounds maintenance service as part of their contract extension. This option has been discounted because Glendale would increase the cost of this element of work by 16% on the existing contract value, and the Council would not be able to realise the wider benefits of bringing the contract in-house.
- 18.2 Tender a new contract. This option has been discounted because there is no guarantee that it would result in a financial saving or better standards of service delivery. Officers know that the bid submitted by Glendale in 2016 was 13% cheaper than the market at that time, and with the inflationary uplift, Glendale have stated that they would need to increase the contract value by 16%. Other contractors would have also increased their prices since, and therefore it can be predicted with a high degree of confidence that the Council would not find a cheaper contract rate by going to the market. Furthermore, this option would not achieve the same benefits of an in-house service as listed above.
- 18.3 A further reason for not going to the market at this time is the ongoing risk posed by Coronavirus pandemic. The Council would look to build resilience

into the service by bringing it in-house, whilst outsourcing at this present time poses a significant risk to service delivery.

- 18.4 Continue to commission the service from Glendale but reduce the specification to remain within the same budget envelope as the current contract. This option has been discounted because an in-house service would be capable of delivering a service to the same high quality that residents are currently used to but at a lower cost than both the current cost of the contract and the proposed cost with the added 16% uplift.
- 18.5 Source from a grounds maintenance framework such as the ESPO Framework 245 (Lot 1 – Grounds Maintenance). This option has been discounted because it would be 11% more expensive than the Glendale contract price and it would also prevent the Council from recognising the wider benefits of an insourced service as listed above.

Conclusions

- 19.1 The end of the current contract with Glendale has given the Council the opportunity to review the service costs and wider benefits of delivering the service in-house. This exercise has identified that an in-house service will be cheaper than the existing contract with Glendale and significantly cheaper than the proposed 16% uplift that Glendale would look to impose from April 2021.
- 19.2 When the cost saving of an in-house service is combined with the wider benefits of service flexibility, operational resilience and income generation opportunities, there is a clear rationale to recommend that the service be brought back in-house.

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Background Papers

None