

# BIRMINGHAM CITY COUNCIL

## PUBLIC REPORT

**Report to:** CABINET  
**Report of:** Corporate Director, Place  
**Date of Decision:** 31 July 2018  
**SUBJECT:** The insourcing of the city wide Grounds Maintenance service  
**Key Decision:** Yes / No  
**Relevant Forward Plan Ref:** 004662 / 2018  
**If not in the Forward Plan:** Chief Executive approved ☐  
(please "X" box) O&S Chairman approved ☐  
**Relevant Cabinet Member(s):** Cllr Sharon Thompson, Cabinet Member for Homes and Neighbourhoods  
Cllr Brett O'Reilly, Cabinet Member for Finance and Resources  
**Relevant O&S Chairman:** Cllr Penny Holbrook, Housing & Neighbourhoods Overview & Scrutiny Committee  
**Wards affected:** ALL

### 1. Purpose of report:

- 1.1 This report sets out the proposal to insource the current externalised grounds maintenance (GM) service, therefore creating a citywide GM service from 28<sup>th</sup> March 2019 and the subsequent opportunities to create an integrated maintenance solution for the wider public realm.
- 1.2 The Private agenda report deals with the confidential and / or exempt information not covered in the Public report. The two reports, private and public, must be read together as this Public report does not repeat information contained in the Private report.

### 2. Decision(s) recommended:

That Cabinet :

- 2.1 Notes the contents of this report.

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### 3. Consultation

#### 3.1 Internal

Officers from Finance, Legal Services, Housing, Bereavement Services, Schools, Birmingham Property Services, Highways, Waste Management and Procurement have been involved in the preparation of this report. The Cabinet Member for Clean Streets, Waste and Recycling has been consulted and is supportive of these proposals.

#### 3.2 External

The current service providers Birmingham Parks & Nurseries (BPN), Quadron Services Ltd and Glendale Managed Services Ltd have been made aware that insourcing is an option that is being considered and both highlighted that their preferred option would be a contract extension.

### 4. Compliance Issues:

#### 4.1 Are the recommended decisions consistent with the Council's policies, plans and strategies?

##### 4.1.1 The proposals will contribute to the Council's Outcomes and Priorities as follows:

**Birmingham is a great city to live in:** A city with clean air, safe and clean streets and green spaces:

- Through the provision of, and improved access to, outdoor recreational facilities and the creation of clean, green and safe open spaces.
- Access to safe and green environments in parks, housing, school grounds, cemeteries and crematoria and other public open spaces, contributes to improving the health of our residents. The green waste is recycled contributing to the Council's sustainability agenda.

##### 4.1.2 Birmingham Business Charter for Social Responsibility (BBC4SR)

This decision creates opportunities to deliver social value through the creation of community volunteer programmes to support the devolution of services. An in-house work force will be paid the Birmingham Living Wage.

In addition an Environmental Apprenticeship scheme can be created to provide a wider opportunity for training and make it more attractive for people who want to enter the service.

#### 4.2 Financial Implications

(Will decisions be carried out within existing finances and resources?)

The financial implications are set out in the private report.

#### 4.3 Legal Implications

The powers for the provision of parks and leisure facilities are contained in the Public Health Acts 1875 and 1890, the Public Health Acts Amendments Act 1890, the Public Health Act 1925 and Section 19, Local Government (Miscellaneous Provisions) Act 1976. The powers for the maintenance of the public highway are contained within the Highways Act 1980.

The transfer of staff will take place by operation of law if the conditions in the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE") are satisfied. The incumbent providers will provide details to the successors of those personnel they believe to be entitled to transfer with the undertaking.

#### 4.4 Public Sector Equality Duty

A relevance test to decide whether the GM Strategy has any relevance to the equality duty contained in Section 149 of the Equality Act 2010 of eliminating unfair/unlawful discrimination and to promoting equality and human rights has been conducted. The screening identified there was no requirement to assess it further and completion of an Equality Assessment form was not required.

### 5. **Relevant background / chronology of key events:**

#### **Current Service**

- 5.1 In 2008 / 2009 Cabinet approved the award of 12 area based grounds maintenance contracts. These contracts are a mix of input and output specifications and in the main are based on a programme of works with a schedule of rates attached to this. The current contract areas and supplier split is included in Appendix 1 and shows a mixed economy of internal and external service providers.
- 5.2 The contracts have been in place and performing satisfactorily for nine years and will expire on 27 March 2019. The contract rates over the nine years have been adjusted in line with the indexation clause in the contract, Ground Maintenance 87 (GM87) produced by the Royal Institute of Chartered of Surveyors.
- 5.3 Early in the commissioning process, the GM budget was subject to budget reductions that would need to be reflected in the new contract specification but also had an impact on the current contractors. The reduction for 2017/18 is £1.5m rising to £2.1m in 2018/19.
- 5.4 Following this latest round of budget reductions the external service providers (Quadron Services Ltd & Glendale Grounds Management Ltd) have both stated that they are unable to recover their fixed overheads over the remaining term of the contract (until March 2019). Both providers have contacted the Council seeking recompense for these reductions and have both indicated that a contract overrun of two years would enable them to mitigate most of these costs. Officers have therefore been discussing this with both providers. Further information is set out in the private report.

## **Service Delivery Options Appraisal**

- 5.5 In preparation for the commencement of a new contract from 28 March 2019 a commissioning process commenced in September 2016. To support this process a market sounding exercise was undertaken in October 2016 to receive expert input from the market on what works well elsewhere across the public sector, what are the alternative delivery models, affordability issues and how these are addressed and the nature of the client/provider relationship elsewhere.
- 5.6 One of the key themes that emerged from this exercise was the aggregation, in any GM contract, of other Council services where there are synergies with GM. This can minimise some of the seasonality challenges with GM and helps with skill retention. Other Council services may include street cleansing activities (excluding household waste). In summary the more services included in a contract the greater the opportunity service providers have for development and efficiencies for the customer.
- 5.7 In parallel with this and at the request at the previous Cabinet Member for Clean Streets, Recycling and Environment, officers from the Parks service began exploring options around delivery of a more integrated approach to the maintenance of the public realm, enabling resources to be targeted where they are most needed. In addition, there are opportunities to look at specific cross over tasks such as litter picking and sweeping in parks and housing land and leafing in parks and on highways land to develop the most efficient way of providing this service.
- 5.8 Monitoring of the public realm could also potentially be shared between officers within the current Parks and Street Cleansing services, along with local communities.

## **Insourcing of GM / integrated solution**

Following this feedback from the market a Service Delivery options appraisal commenced to determine the most effective and efficient future service delivery arrangements for GM. The following key factors were considered:

- The need to ensure the service can respond dynamically to the requirements of the Council and resident's needs
- Future proofing the service in light of the City's continuing financial challenges and budget availability
- The opportunity to improve the integration of street cleansing and estate management and wider grounds maintenance arrangements to improve local environmental quality and deliver the most efficient and cost effective services possible.
- The strategic context of parks in Birmingham including delivery of the Green Living Spaces principles.
- Opportunities to deliver socio, economic and environmental benefits

Four different options for delivery of GM services from 28 March 2019 have been considered when the existing contracts expire:

- Insource the whole service
- Extend the current contracts for a period of two years
- Re-tender and award new contracts
- Retender including additional services in the contract.

These options have been assessed against the key factors outlined above and compiled in a table included in Appendix 2. In summary, insourcing provided the greatest opportunity to respond to the Council's requirements and the continuing financial challenges. It also provides the greatest opportunity for integration with other services potentially leading to further efficiencies. In addition, it retains the strategic management of open space with the Council to ensure the Local Authority is in the best position to deliver the socio, economic and environmental benefits through its control of the public realm.

The financial implications of in sourcing are detailed in the private report.

- 5.9 It is therefore recommended that the current externalised GM service is insourced on expiry of the contracts with Quadron Services Ltd and Glendale Grounds Management Ltd to create an in-house City wide GM service to achieve efficiencies and consistency of service across the City.
- 5.10 A wider integrated approach to the public realm will create further efficiencies by removing any duplication and contribute to savings, delivering best value.
- 5.11 However, there is a risk that without dedicated resources, funding, project governance and senior officer and political support the project will not be delivered by 27 March 2019.
- 5.12 A project team made up of a Senior Responsible Owner and Project Manager will need to be created in order to ensure the project has the right degree of focus in order to achieve project completion by 27 March 2019. Key staff within the Directorate will be redeployed to establish the team funded from within existing resources. The project will need to be supported by six key areas. These are set out below :-
- Legal & Governance – assessment of any claims being made by the current contractors
  - Human Resources – TUPE transfer into the Council of c. 148 staff and organisational design
  - Finance – the costs and financial implication of the recommended option.
  - Parks and Street Cleansing services – the processes, people and assets / equipment required to create a more integrated service plus the demobilisation of the current 3<sup>rd</sup> party contracts
  - Procurement – strategy for the procurement of the equipment needed to deliver the service plus the demobilisation of the current 3<sup>rd</sup> party contracts.
  - Project management – Project management, project planning, risk and issue management, project reporting, milestone tracking, critical path analysis and organisation support project governance.

## **6. Evaluation of alternative option(s):**

**6.1** The options are included in Appendix 2

**6.2.** Extending the existing contracts or retendering the work will not provide the in-house flexibility to respond the areas of most need or future financial requirements. Retaining service in-house also provides the council will the maximum control over the future strategic direction of the service.

## **7. Reasons for Decisions (s):**

**7.1** Approval to insource the current externalised GM service, and the TUPE transfer into the Council of eligible staff to retain the maximum strategic control and flexibility over future delivery of the service.

### **Signatures**

### **Date**

Cabinet Member

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Cllr Sharon Thompson,  
Cabinet Member for Homes and Neighbourhoods

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Cabinet Member

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Cllr Brett O'Reilly,  
**Cabinet Member for Finance and Resources**

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Jacqui Kennedy, Corporate Director - Place

Chief Officer

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### **List of Background Documents used to compile this Report:**

1. Report to Cabinet, Grounds Maintenance (GM) and Park Services Contracts (PROC/O272) dated 15<sup>th</sup> December 2008
2. Report to Cabinet, Grounds Maintenance Contracts (PROC/0272) Revised Contracts Award 2<sup>nd</sup> March 2009
3. Report to Cabinet, Grounds Maintenance (GM) and Park Services Contracts (PROC/0272) – revised contract awards dated 13 March 2009
4. Waste Management - Street Cleansing - Design Blueprint dated 17th April 2018

### **List of Appendices accompanying this Report :**

1. Providers / contract areas
2. Options appraisal for future delivery.

## **Appendix 1**

### **Providers / contract areas**

<b>Supplier</b>	<b>Contract areas</b>
Birmingham Parks & Nurseries (in-house service provider)	Strategic Parks Edgbaston City Centre Northfield
Quadron Services Ltd	Hall Green Ladywood Selly Oak Hodge Hill Yardley
Glendale Grounds Mgmt Ltd	Perry Barr, Sutton Coldfield Erdington

## Appendix 2

		Option / achievability							
	Criteria	(i) Insource the whole service	Rationale	(ii) Contract extension of 2 yrs	Rationale	(iii) re-tender	Rationale	(iv) retender with more services	Rationale
1	The service can respond dynamically to the requirements of the Council and resident's needs	High	The flexibility to deploy resources where needed. Creates a 'one team' approach. The pooling of assets and resources and removal of duplication. Three Service Provider's down to one. A greater ability to ensure co-ordination with other front-line services	Low	Limited flexibility. The as is model of removing work from the contract to fund savings targets would continue.	Low	Small improvement on Option (ii) but very much depends on how the contract is structured & the pricing model attached to this. Alternative pricing models were put forward as part of the market consultation.	Low	Again, dependant on how the contract is structured i.e. pricing model attached to it. Alternative pricing models were put forward as part of the market consultation.
2	Future proofing the service in	High	There would be	Medium	Benchmarking has shown that prices	Low	From market consultation the	Low	The Market has indicated that



	light of the city's continuing financial challenges and budget availability		economies of scale savings, no GM 87 price adjustments & no profit payable to external contractors. Assumes that the Council would operate the service at breakeven & there would be not income target placed on this service.		under the current contract are very competitive as a result of low indexation since 2009.		price of a new contract is likely to increase considerably on the exiting contract price. *		there would be an increase in contract value which could be mitigated by including more services to create efficiencies. However, it also increases the amount of services within the contract, potentially reducing the ability to reduce budgets in the contract period over a larger budget.
3	Improve the integration of street cleansing and wider grounds maintenance arrangements	High	There would need to be a period of up-skilling the street cleansing staff to undertake GM roles	Low	Does not fit with the criteria under which contracts can be modified under PCR 15 therefore it is not possible to vary these contracts & include Street Cleansing.	Medium	Retendering just GM would make it difficult to integrate services within a contractual environment.	Medium	Assumes that the specification is accurate & that we have access to all the due diligence information that bidders would require. Street Cleansing has never been externalised so this would have

									<p>to be created from scratch.</p> <p>However, it would improve the integration. However, further integration of services not included would be difficult during the contract period.</p>
4	Delivery of the Green Living Spaces principles	High	The Council retains full control of the public realm	Low	Would be limited to the existing contract conditions	Medium	There would be some opportunity to build flexibility into a new contract and would need to be accounted for accordingly in any new specification.	Medium	As per re-tender
5	Socio, economic and environmental benefits	High	The Council can determine future use to achieve the benefits without contract compensation or litigation	Low	Existing contract is limited to Grounds Maintenance with limited opportunity to change the public realm to maximise the benefit	Medium	There would be as some opportunity to build flexibilities into a new contract. However, flexibilities and associated risks to the contractor	Medium	As per re-tender

							would be needed to be accounted for in the contract price.		
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\* Birmingham can expect to see increased pricing in a new tender circa 20-30%. This is as a result of 10 years of low uplifts (GM87) and the national living wage increase with no ability to pass either of these through to the Council. Service Providers have seen an actual increase of around 10% as a result of the national living wage increase. Applying the Birmingham Living wage will further increase this. In addition the Contract is worth 30% less in real terms than it was when tendered back in 2009 when the current contract rates were set as a result of year on year savings targets meaning that some economies of scale are lost.