

Committee: Cabinet

Date: 19 February

Wards: All

Subject: Parks and Greenspace –contract extension

Lead Director: Dan Jones, Executive Director of Environment, Civic Pride & Climate

Lead member: Councillor Natasha Irons, Cabinet Member for Local Environment, Greenspaces and Climate Change

Contact officer: Patrick Phillips, Greenspaces Commissioning Manager

Recommendations:

That Cabinet:

- A. Note the potential options for the future delivery of the service and the estimated costs.
 - B. Agree to an extension of the existing contract with idverde by 21 months (till 31 October 2026) to facilitate detailed consideration of all options for the future delivery of the Parks and Greenspace service.
 - C. Note the delegated authority (as per the Contract Award decision 4 July 2016) to the Executive Director - Environment, Civic Pride and Climate (ECPC), in consultation with the Cabinet Member for Local Environment, Green Spaces and Climate Change (LEGSCC), to complete negotiations and finalise a contract extension agreement with idverde, in accordance with the terms set out in this report.
 - D. Note the requirement to give both idverde and the London Borough of Sutton (as a joint procurer) notice of any intention not to renew the existing contract for a term of a further eight years – subject to this being waived by the parties.
-

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.2 The contract for the provision of ground's maintenance and related park activities services (Lot 2), was procured jointly with LB Sutton and entered with idverde Limited in 2017. The contract is due for review and possible continuation at the end of the first of three, eight-year terms, on 31 January 2025.
- 1.3 Therefore, there is an opportunity to reflect what alternative procurement models may exist going beyond 2025; that may better serve the council in terms of value for money. Including to either:
 - a) Extend the existing contract, or
 - b) Re-procure, or
 - c) In-source

- 1.4 This report summarises those options including estimated costs and makes a recommendation to agree option a), whilst more detailed analysis is carried out on options b) and c). These will be brought back in due course for Member consideration and decision.
- 1.5 To facilitate this, an extension of the existing contract will be necessary to adequately market-test or mobilise the insourcing of the service. It is recommended that given the significant change in the economy and the increased cost of both goods and labour, the full 8-year extension is not taken. A 21-month extension is believed adequate to allow for a full review of options to ensure value for money.
- 1.6 The additional annualised cost of the proposed 21-month extension is estimated at being £450k above budget. At the time of drafting the report negotiations have not been concluded with idverde. Therefore, as per the delegated authority, the Executive Director of ECPC, in consultation with the Cabinet Member for LEGSCC, will complete negotiations and seek approval via the Procurement Board.
- 1.7 As part of the extension negotiation, it is proposed the administrative and lettings functions of the allotments and sports-lettings will be returned in-house. This is to ensure that this service aligns better with the sport and leisure teams operations and the Borough of Sport objectives.

2 DETAILS

- 2.1. The Lot 2 element of the South London Waste Partnership (SLWP) contract for grounds maintenance and greenspace management, commenced on 1 February 2017. This included the London Borough of Sutton jointly as a delivery partner. The successful bidder was idverde Limited. The contract was initially for a period of eight years, but with the possibility to extend to up to 24 years, in a series of three, eight-year tranches. It included: horticulture, sports pitch preparations, play, general park litter removal, cemeteries, nature conservation and greenspace events.
- 2.2. The options available are to either extend the current contract, subject to agreement with idverde and LB Sutton, reprocure the contract or insource the service. Appendix 1 summarises the advantages, disadvantages and cost of each model.
- 2.3. The partnering with LB Sutton, requires any authority not wishing to enter a further tranche of eight years must provide both the contractor and the other partner with the requisite contractual notice of 42 months.
- 2.4. In 2022, all parties engaged in substantive contract management discussions regarding the potential extension of the existing contract. On 28th February 2022, idverde submitted a formal communication expressing their willingness to extend the partnership. This letter emphasised the necessity for financial viability for a contract extension, highlighting concerns that reverting to the terms of the pre-existing agreement could result in substantial financial loss for idverde, an outcome clearly undesirable for all involved parties.

- 2.5. The London Borough of Sutton has agreed a three-year extension to their contract, with the potential for a further two-years beyond that - whilst they also contemplate future options.
- 2.6. The London Borough of Sutton has agreed a three-year extension to their contract, with the potential for a further two-years beyond that - whilst they also contemplate future options.
- 2.7. LB Merton have engaged with the service provider to negotiate an extension of 21 months and agreed, subject to decision by Cabinet, to an increase to the contract value to allow for the additional inflationary increases, that the current contract hasn't allowed for, for an 'as is' service. The value of this increase in contract value is estimated to be £450k per annum, total contract value £3m pa.
- 2.8. Consideration has also been given to insourcing the service and re-procuring the service. The estimated cost of insourcing is £3.1m pa, plus additional one-off mobilisation costs of £350k for additional staff to support officers, and Capital costs of approximately £1.7m for fleet, plant and equipment. The cost of re procuring is unknown at this stage but estimated to be at the same value or higher than the extension value, £3.m+, pa.
- 2.9. The average industry time to either re-package an existing contract to go to the marketplace, or insource the service and prepare in-house delivery, is between 12 and 24 months.
- 2.10. Given the Public Spaces Division is currently in the process of insourcing a Street Cleansing service and reprocuring the waste and recycling collection services, there no capacity within the service, nor within support services such as finance, Commercial Services, HR and IT, to conduct additional projects of this scale. Therefore, additional resources would need to be secured.
- 2.11. Given the importance of ensuring the street cleansing and waste & collection services are delivered in a timely and effective manner it is not recommended to either insource or re-procurement of the Parks and Greenspace service at the same time.
- 2.12. It is therefore recommended that any future decision, is deferred; pending further investigation and a 21-month contract extension with idverde till the end of October 2026 is agreed.
- 2.13. This allows for any future contract start-up to commence in the least vulnerable part of the horticultural year; particularly for grass cutting. It also enables the current financial situation to settle down, making re-procurement easier and minimising contractors risk pricing to cover uncertainties.
- 2.14. Whilst most the contractors' activities have been delivered at or above the required contractual standard, the administrative and lettings functions of the allotments and sports-lettings services have not been wholly satisfactory, with higher-than-expected customer complaint. Accordingly, this aspect is recommended be returned to an 'in-house' function – which given the advent of the 'Borough of Sport;' would appear well-timed and logical.

3 ALTERNATIVE OPTIONS

- 3.1. Officers will work up details for future options and present these at Cabinet at a later date.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. No consultations have been undertaken at this stage.
- 4.2. The benefit of the recommended extension will allow Officers to undertake resident, stakeholder and community engagement to aid the scoping of the future service delivery model. Lessons learned from the street cleansing and waste recycling collections can be applied to this process and it will be beneficial to include 'Friends of Parks' groups through this process. These will include, but not limited to, roadshows, meetings at parks, drop-in sessions at greenspace sites, as well as an online public consultation.

5 TIMETABLE

- 5.1. A relevant timetable will be created following further reports on any preferred model to pursue.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. At this stage it is not possible to provide accurate costs for either the establishment and delivery of an in-house service, or the costs associated with a market-tested tender exercise. However, as this report is seeking a short-duration extension of the existing contract, such figures will be finalised and presented in a future paper to Cabinet.
- 6.2. However, the cost of a short extension is currently estimated at notionally £450,000 pa above the current 2024 cost projection, but could be further contained by ensuring the Council's inflationary increase is used in all calculations, so the parties are neither better nor worse off going forward. Similarly, the Gross Income model could if necessary be re-profiled to limit additional costs. The London Living Wage, (LLW) will be used for non-salaried staff.
- 6.3. Officers will submit a growth bid for the anticipated annual cost increase in the 2025/26 period, factoring in the estimated £450,000 pa above the 2024 cost projection, while ensuring the Council's inflationary increase and re-profiling the Gross Income model to contain additional costs effectively.

Table 1 showing extension contract cost against current 23/24 budget

	2023/4	2024/25 with 2.5% inflation	2025/6 with 2.5% inflation	2026/7 with 2.5% inflation
Budget	2,326,800	2,384,970	2,444,594	2,505,709
Contract cost	2,326,800	2,459,970	2,994,594	2,768,209 (to October 2026)
Difference	0	75,000	450,000	262,500 (to October 2026)

- 6.4. It is noted that inflationary increases would still be a requirement if the contract was to be extend for the 'full' eight years (contract term is 8+8+8), or bring in house.

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. The existing contract allows for an extension of two periods of up to eight years and as such the proposed 21-month extension is in compliance with the Public Contract Regulations 2015 and CSO 27.
- 7.2. The proposed timetable means, that when conducting the future procurements options analysis, it is necessary to have due regard and consideration for the new Procurement Act 2023 that will be coming into force in October 2024.
- 7.3. There is a contractual obligation under the existing contract that no less than 42 months' notice of an intention to extend is provided to the Contractor. This is also reflected in the IAA. A failure to provide this notice could give rise to financial consequences.
- 7.4. Given the proposed length of the extension to the contract, the notice requirements and in particular the timescales of 54 and 42 months respectively set out in the IAA, together with the cost implications of clause 17 of the IAA applying, if such notice is not provided in the specified timescales should be taken into account.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1. None arising from this report at this stage.

9 CRIME AND DISORDER IMPLICATIONS

- 9.1. Not applicable

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1. The delivery of grounds maintenance and associated parks activities is discretionary service. however, the performance and impact will be witnessed by all borough-residents and visitors.
- 10.2. Health and safety implications arise through many of the activities or assets, particularly around playgrounds, sports pitches, water bodies, events management, clearance of litter and safety of paths, enclosure, and many hard landscape features.

11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- 11.1 Appendix 1 - Commissioning Options for Parks and Greenspaces service post Jan 2025

12 BACKGROUND PAPERS

- 12.1. [South London Waste Partnership – Procurement of Waste Collection and related Environmental Service 4 July 2016](#)
- 12.2. [Sustainable Communities Overview and Scrutiny Panel Meeting of 1st November 2018](#)
- 12.3. [Sustainable Communities Overview and Scrutiny Panel Meeting 1st September 2020](#)
- 12.4. [Cabinet Meeting 9th November 2020](#)

Appendix 1.

Commissioning Options for Parks and Greenspaces service post Jan 2025

Model	Advantages	Disadvantages	Estimated Cost
Extension	<ul style="list-style-type: none"> Costs fixed, subject to agreed indexation. Known 'partner' abilities and hope of increased partnership working. No dip in performance at end of current contract expiry Potential to 'adjust' scope or specification or method of delivery, (e.g., frequency electric vehicles) Increases to wages, fuel, insurances budgeted for through indexation. Limited procurement undertaking and associated costs. Current 'client' management and monitoring already established. Future sports bookings management can be aligned to Borough of Sport ambitions. 	<ul style="list-style-type: none"> No guaranteed standards/contract compliance will be maintained at current level over next eight years. Incumbent may simply have 'ramped' up efforts mindful of proximity of renewal. Contractor may not agree to a further eight-year term as current contract considered loss-making. Contractor may 'seek' to recoup losses of initial 8-year term. 	£3m
Re- Procure	<ul style="list-style-type: none"> Gives 'Client' the scope to cherry-pick and form bespoke 'lots' if sub-divided i.e., Major grass-cutting contract versus High Horticulture or community gardening etc. Assurance that 'Best Value' was obtained by market testing. Ability to ensure latest technology, (i.e., electric vehicles) could be specified. May work better/cost less, if procured jointly with LB Sutton i.e., SLWP Model 	<ul style="list-style-type: none"> Requires a minimum of 12 - 24 months to procure and mobilise. If LB Sutton are not joint partners, then costs likely to further increase. Costs may rise, over existing, if a single Borough-wide contract awarded. Prices likely to increase if contract sub-divided into smaller awards. No guarantee that quality will be any better and could be worse. Profound costs associated with procurement exercise. Depending upon how contract/contracts awarded – may require larger client body to monitor. No guarantee of ability to get support from London Borough of Sutton Impact of current street cleansing, waste and recycling will impact upon existing resources 	<p>Not possible to know at this stage, however it is likely the cost will at least equal to the extension cost and possibly more.</p> <p>£3m+</p>
In-source	<ul style="list-style-type: none"> Flexible workforce Ability to deal with priorities and complaints which can then be more quickly resolved. 	<ul style="list-style-type: none"> Cognisance of higher cost of service provision Increased costs of HR, financial, back office, and admission to Local 	<p>£3.1m pa (including estimated additional pension costs)</p> <p>PLUS</p>

	<ul style="list-style-type: none"> • Perceived 'trust' in council employees. • Longer term would permit investment in emerging technologies. • No requirement to make a profit. • Strategic works can more easily be combined with delivery work. • Staff recruitment and retention may improve with better public sector pay and conditions. • Simplified 'Client' structure. • Current insourcing of street cleansing will likely assist in any future insourcing 	<p>Government Pension Scheme, (LGPS)</p> <ul style="list-style-type: none"> • Increased costs of London Living Wage • Variable quality of returning staff under TUPE • Skills vacuum in managing a DSO including procurement, running costs, fuel etc. • Extensive set up costs • Services may well 'dip' in quality standards • Ability to actually find appropriate staff 	<ul style="list-style-type: none"> • £1.06m Estimated Capital Cost of all new fleet, (or leased at £308k/pa) • £300k - £600k Estimated Capital cost of Plant, equipment and tools, (dependent upon condition at contract termination) • £350k - one off cost of mobilisation <p>Based on previous DSO cost in 2016, increased by inflation</p>
--	--	---	---