



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**



Joint Meeting – Environment and Rural and Communities Overview and Scrutiny Committees


6 February 2023

Report of Councillor Mark Whittington
Cabinet Portfolio Holder for
Waste and Climate Change

Conclusion of the Grounds Maintenance Options Appraisal

Report Author

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Purpose of Report

To provide information to Members on the results of the grounds maintenance options appraisal undertaken, and in consideration of the results provide a recommendation to Cabinet on the preferred way forward.

Recommendations

The Joint Environment Overview and Scrutiny Committee and Rural and Communities Overview and Scrutiny Committee is asked to:

- 1. Recommend to Cabinet the preferred service delivery option in respect of the Council's grounds maintenance service with effect from the financial year 2023/24.**
- 2. Review and make any specific comments to Cabinet on the proposed amendments to the grounds maintenance specification.**

Decision Information

Does the report contain any exempt or confidential information not for publication?

Appendices One, Three and Four to this report are not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

What are the relevant corporate priorities?

Housing that meets the needs of all residents
Healthy and strong communities
Clean and sustainable environment
High performing Council

Which wards are impacted?

All

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

- 1.1 The Council has a significant responsibility in relation to the grounds maintenance of General Fund and Housing Revenue Account (HRA) land, in the current financial year this is projected to cost over £1m. A new grounds maintenance specification has been developed based on the current level of service which, if adopted, would add a budget pressure of circa £384k for financial year 2023/2024. This represents an increase of 37%.
- 1.2 The Council is already facing significant financial challenges to deliver a balanced budget position for 2023/2024 and beyond, currently there are significant budget pressures in relation to utilities, the pay award, and fuel. A further financial pressure of £384k is not affordable without equivalent budgetary savings being identified in other areas.
- 1.3 Changes have been identified to the grounds maintenance specification which, if approved, will provide a more affordable position for the Council whilst ensuring the continuation of high levels of service delivery.
- 1.4 Financial modelling has identified that, in addition to the savings resulting from the proposed changes to the grounds maintenance specification, further annual savings of circa £352k can be achieved by insourcing the grounds maintenance service and integrating this with Street Scene and the Big Clean Team. If this is the preferred option any savings achieved will contribute towards the Council's aim of achieving

a medium term balanced financial position, the level of savings being dependent on the timeline for integration.

- 1.5 Street Scene currently has an annual budget of £1.4million. If full integration of the two services is undertaken further opportunities can be explored with the aim of identifying additional cost savings and income from financial year 2024/2025 onwards.
- 1.6 The Council provided a loan to EnvironmentSK Ltd when it was established in 2019 in the sum of £571k to purchase equipment and vehicles. Should a decision be made to award a contract or to insource the service, details of the amount of principal outstanding and the residual value of the assets are included at **Exempt Appendix Four** to this report.

Completed by: Richard Wyles, Chief Finance Officer and s151 Officer.

Legal and Governance

- 1.7 It is appropriate for the Council to review how best to deliver its grounds maintenance service. A thorough options appraisal has been carried out which provides Members with a sound basis to decide on the future delivery of the service.

Completed by Graham Watts, Assistant Director of Governance and Deputy Monitoring Officer

Risk and Mitigation

- 1.8 Once a final decision has been made on how the Council's grounds maintenance service will be delivered in the future a project plan will be developed to support any transitional arrangements. This will include a risk register to identify any risks and mitigating actions which will be monitored and kept under review by the project team.

Completed by: Tracey Elliot, Governance and Risk Officer

Health and Safety

- 1.9 The Council has a duty under the Health and Safety at Work Act 1974 to protect the health, safety and welfare of its employees and other people who may be affected by its work activities.
- 1.10 Providing a grounds maintenance service involves the use of heavy and light machinery and harmful chemicals. Should the grounds maintenance service be insourced corporate support will be provided to ensure there are suitable and sufficient policies and procedures in place to ensure safe and robust working practices are adhered to, and activities have been sufficiently risk assessed.

- 1.11 A training plan will be required to identify any necessary training resulting from an integrated Street Scene and grounds maintenance service. Employees will require full training before operating any new machinery or taking on additional duties, and records will need to be maintained in this regard.

Completed by Phil Swinton, Emergency Planning and Health and Safety Lead

Diversity and Inclusion

- 1.12 Insourcing this operation will impact on the people currently employed through EnvironmentSK Ltd. Whilst some of the impact experienced will be positive, we must consider any negative impact resulting from these changes.
- 1.13 Human resources implications will be considered by the HR professionals under TUPE regulations, but further consideration is required in relation to equality and inclusivity. It is recommended that such equality considerations be included into any consultation process undertaken as part of the proposed changes to how this service will be staffed and delivered should the proposed changes be adopted.
- 1.14 All reasonable adjustments required should be considered at the earliest stage to ensure they are integral to the whole process. These adjustments could relate to the consultation process, making it equitable for all, through to any changes in roles and responsibilities resulting from the proposed integration of grounds maintenance into Street Scene.

Completed by: Carol Drury, Community Engagement Manager

Human Resources

- 1.15 Should the grounds maintenance service be insourced, the Council and EnvironmentSK Ltd will have individual roles and responsibilities to fulfil under TUPE Regulations. Should due process not be followed there is the potential for significant financial penalties on either side. Therefore, it will be necessary for EnvironmentSK Ltd to secure independent specialist HR support to ensure that all necessary steps and procedures are followed.
- 1.16 Should the decision be made to integrate an insourced grounds maintenance service with Street Scene and the Big Clean Team, a consultation plan will be developed, and the Council's HR Team will support colleagues to ensure a thorough consultation is undertaken with the affected employees.

Completed by Fran Beckitt, Human Resources Manager

Climate Change

- 1.17 The insourcing of the Council's grounds maintenance service, including wider integration with Street Scene and the Big Clean Team presents an opportunity to fully integrate the service and the tasks undertaken. This has the potential to reduce use of vehicles and associated fuel and rationalise necessary mileage, which as well as resulting in financial efficiencies will reduce the Council's carbon footprint.

Completed by Serena Brown, Sustainability and Climate Change Officer.

Consultation

- 1.18 A comprehensive consultation will be undertaken with all tenants within areas maintained by the Housing Revenue Account, this will be completed alongside planned consultation relating to the potential introduction of service charges for services provided.

Completed by Craig Spence, Acting Director of Housing

2. Background to the Report

- 2.1 The provision of a high-quality grounds maintenance service satisfies many of the Council's key priorities as identified within its Corporate Plan 2020-23. These include being a 'High Performing Council' with a focus on managing finances and assets effectively, and 'Providing a Clean and Sustainable Environment', ensuring that the district is a clean and pleasant place to live and visit.
- 2.2 To ensure a high level of service can be delivered, a review of the grounds maintenance service has been undertaken with a view to establishing whether the current method of delivery is the optimal model, or whether there are alternative options which better align with the Council's vision and priorities.
- 2.3 The district of South Kesteven covers 365 square miles, the Council being responsible for the grounds maintenance of all Council-owned land including General Fund (GF) and Housing Revenue Account (HRA) land. In addition, closed churchyards and sports pitches are maintained, and the grass verges in Grantham are cut on behalf of Lincolnshire County Council.
- 2.4 The total amount of land currently maintained across the district equates to 1.5 million square metres. For financial year 2022/2023 the projected total contract fee to EnvironmentSK Ltd is £1.016M, this being split £428,000 across HRA land and £588,000 across GF.
- 2.5 Since 1 March 2019, the Council's grounds maintenance service has been provided by EnvironmentSK Ltd, a wholly-owned Council company. Prior to this, the Council had a contract with Glendale Ltd, which commenced in 2014 and ended in 2019.

- 2.6 The Council is receiving a very good standard of service from EnvironmentSK Ltd, however, there has been a history of the Council under-funding EnvironmentSK Ltd for the work undertaken. This has resulted from out of date and inaccurate core data and has presented operational and financial difficulties for the company.
- 2.7 A fundamental review of the Council's land and grounds maintenance responsibilities has been undertaken which has resulted in a new grounds maintenance specification being developed which accurately reflects the current level of service being provided by EnvironmentSK Ltd. This contains accurate information on the sites to be maintained, and detailed information on the Council's requirements at each location.
- 2.8 To accompany the new specification a digital mapping system has been developed which contains detailed information on each location including measurements, details of legal ownership, and the level and frequency of grounds maintenance tasks to be undertaken.
- 2.9 Three options for the future provision of grounds maintenance services have been identified, these being:
- To retain the services of EnvironmentSK Ltd
 - To secure an external provider under a contract arrangement
 - To insource the grounds maintenance service, including integration with wider Council services.
- 2.10 At a joint meeting of the Environment Overview and Scrutiny Committee and Rural and Communities Overview and Scrutiny Committee held on 27 June 2022, Members considered and approved the three options, and recommended to Cabinet a procurement exercise be undertaken to assist an assessment of the future delivery options.
- 2.11 At a subsequent meeting of Cabinet on 12 July 2022, Cabinet approved the following:
- The commencement of a procurement process in order to seek proposals from providers of grounds maintenance services, to assess the future delivery options.
 - The commencement of a full appraisal of alternative delivery models of the grounds maintenance service, in order that a final option could be presented to Cabinet that delivers the right quality for the best value to the Council and its housing tenants.

EnvironmentSK Ltd

- 2.12 In order to assess affordability and enable a baseline cost for the Council's grounds maintenance service to be identified, EnvironmentSK Ltd was requested to provide an updated fee for delivering the service for financial year 2023/2024 using the pricing schedule which had been prepared to accompany the new grounds maintenance specification. A breakdown of the costings is provided in **Exempt Appendix One**, ESK Pricing Schedule.
- 2.13 The cost identified represents an increase of £384,00 or 37% increase when compared to the 2023/2024 indicative budget. The increase in pricing relates to:
- Increased operating costs in relation to fuel, utilities and staffing costs
 - The under-pricing of the previous specification
- 2.14 An allowance of 6% for inflation has been included in the costs for financial year 2023/2024 only. No provision for replacement vehicle costs has been included, further investment would be due in 2026/2027, and would potentially need to be financed by a further loan should the Council's current arrangement with EnvironmentSK Ltd continue.

Revised Specification

- 2.15 Given the Council's challenging financial circumstances, further work has been undertaken in collaboration with EnvironmentSK Ltd to identify a range of options to amend the services specification and provide a level of savings that would avoid the budgetary pressure identified.
- 2.16 Whilst undertaking this review, careful consideration has been given to ensuring the standard of service provided would remain high to mitigate any impact on the district's appearance or the Council's reputation. A detailed breakdown of the savings and impact on service delivery is provided in **Appendix Two** (titled - Amended Grounds Maintenance Specification and Associated Savings).

Market Provider

- 2.17 Following the decision made by Cabinet on 12 July 2022, a mini competition was launched under the Eastern Shires Purchasing Organisation (ESPO) framework (Lot 245_21) on 21 July 2022 with the closing date for submissions being 30 August 2022. The proposed contract term was for five years with the potential to extend the arrangement for a maximum additional two years. The grounds maintenance specification formed the basis of the procurement opportunity including a detailed pricing schedule for contractors to complete. Also included were the options identified by EnvironmentSK Ltd to amend the level of service provided as detailed in **Appendix Two**.
- 2.18 There are a total of 14 operators on the ESPO framework for grounds maintenance services. All had the opportunity to submit clarification questions on the specification, contract term or pricing schedule, prior to submitting a tender price for the work.

- 2.19 The tender opportunity did not generate any significant interest, and it was clear from the clarification questions received, the market had little confidence the Council intended to award a commercial contract. As a result, the tender opportunity was withdrawn on 15 August 2022.
- 2.20 In consideration of a report presented to a joint meeting of the Environment Overview and Scrutiny Committee and Rural and Communities Overview and Scrutiny Committee held on 15 November 2022 it was recommended that the Cabinet Member for Waste request Officers to commence a further procurement exercise in order to seek proposals from providers of grounds maintenance service on the new grounds maintenance specification which had been developed, to ensure that the Council had fully explored all available options.
- 2.21 As a result a further mini competition was launched under the ESPO framework (Lot 245_21) on 18 November 2022 with the closing date for submissions being 6 January 2023. Due to commercial sensitivity the outcome of the procurement is not contained in this report. However, details of the procurement, including a summary of the results and evaluation process is attached to this report at **Exempt Appendix Three**.

Insourcing and Integration

- 2.22 As a third option the insourcing of EnvironmentSK Ltd has been explored with the potential integration of the grounds maintenance service with other Council functions. Fundamentally, this avoids the need for the Council to continue to retain EnvironmentSK Ltd as a commercial company, which in itself will reduce operating costs. However, due to the complexities around insourcing the grounds maintenance service and integration with other services, should this be the preferred option it is proposed a two phased approach is introduced as follows:
- **Phase 1** – EnvironmentSK Ltd adopting the revised specification detailed in **Appendix Two** from April 2023, the service being insourced at the earliest opportunity in financial year 2023/24.
 - **Phase 2** – Thereafter completing the integration of the insourced grounds maintenance service with Street Scene and the Big Clean Team as soon as possible in financial year 2023/24.

Phase 1 – Insourcing the Grounds Maintenance Service

- 2.23 To establish the costs of a standalone insourced grounds maintenance service, financial modelling has taken place to identify the additional salary and pension costs, and the savings which would be provided by not maintaining and administering a separate company. This has identified an overall annual saving in the region of £152,000 would be achieved. This projected saving takes into consideration the cost increase following the migration of EnvironmentSK Ltd staff onto the Council's terms and conditions. However, the full saving can only be realised upon the surrendering of the current operating location and integrating the service operation into the current depot at Alexandra Road, Grantham. Should there be a requirement to continue to deliver the grounds maintenance service from

a different location then it is likely new costs will be required which will reduce the £152,000 saving.

- 2.24 Under an insourcing arrangement, the current employees of EnvironmentSK Ltd would transfer to the Council under Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). Under TUPE Regulations the transferring employees have protected rights and would be fully consulted on the proposed change in employer.
- 2.25 TUPE Regulations provide that transferring employees transfer to a new employer on their existing terms and conditions, their length of service also being protected. However, receiving employers can propose to make changes to the employees' terms and conditions if these represent an improvement, and if the employees are fully consulted and agree to the proposed changes.
- 2.26 The savings identified at paragraph 2.23 include harmonisation of the transferring employees onto Council terms and conditions. This includes adopting Council pay grades, a reduction in the weekly hours worked from 40 to 37, and an increased holiday allowance. The transferring employees would also benefit for being able to join the Local Government Pension Scheme. As well as ensuring they are remunerated and rewarded appropriately for their work, this will also aid the recruitment and retention of staff which has proved difficult in the past.
- 2.27 Should a final decision be made to insource the grounds maintenance service in February 2023, TUPE consultations could commence immediately, and a realistic timeline would be to have the service insourced by 1 May 2023 and fully integrated with Street Scene by 1 June 2023.

Phase 2 – Insourcing the Service and Integration with Street Scene

- 2.28 Using the baseline costs of insourcing the Council's grounds maintenance service, further work is ongoing to identify the impact of integrating the service with Street Scene including the Big Clean Team. This currently includes:
- Identifying the current level of service being delivered by Street Scene and the Big Clean Team.
 - Identifying the split of resources, including staffing and finance, between Street Scene and Waste Services.
 - Developing a services specification for Street Scene and Big Clean.
 - Merging the specifications for grounds maintenance and Street Scene to a resource plan in relation to staffing, vehicles and equipment.
 - Identifying the required management structure for an integrated service.
 - Developing service performance standards.

- 2.29 The aim of this work is to identify further savings resulting from a full integration of the grounds maintenance and Street Scene services. To date efficiencies have been identified in relation to:
- A reduction in the number of vehicles required
 - Workforce efficiencies, a larger team would provide flexibility and avoid a reliance on temporary seasonal staff and agency workers
 - Enhanced training for the team could negate the use of tree specialists for smaller tree works
 - Opportunities around commercialisation of services
- 2.30 The current budget for Street Scene and Big Clean is £1.4m. Financial modelling undertaken to date has established that a prudent annual saving of £200,000 will be achieved should Street Scene and the Big Clean Team be integrated with an insourced grounds maintenance service. The exact level of savings would need to be assessed for financial year 2023/24 depending on when the insourcing and integration is completed.
- 2.31 EnvironmentSK Ltd currently undertake work for Parish Councils within the district, the contracts being renewed on an annual basis. Quotes have already been generated to customers for financial year 2023/24, should the recommendations within this report be supported the Council will engage with the Parish Councils to honour the work at the price quoted.
- 2.31 Together with the savings previously identified in relation to insourcing the grounds maintenance service, a total projected annual saving of £352,000 could be achieved from an integration of the services.

3. Key Considerations

- 3.1 Should the preferred option be to award a commercial contract it has been identified that additional costs would be incurred to develop a dedicated contract monitoring team to ensure that the contract delivered on price and quality. This has been costed at £100,000 per annum.
- 3.2 Should the option to insource the grounds maintenance service be the preferred way forward, this would provide the Council with full operational control over how the service is delivered. The service could be increased or reduced in line with service requirements, and take account of seasonal fluctuations, without incurring any contractual penalties or additional costs.
- 3.3 If a decision is made for EnvironmentSK Ltd not to continue to provide the Council's grounds maintenance service, the timeline for transfer to an alternative contractor, or for the service to be insourced, will need to be identified in line with the Council's obligations relating to the transfer of employees under TUPE regulations.
- 3.4 In addition to the necessary TUPE consultation with the current employees of EnvironmentSK Ltd, should the option to insource the service and integrate this with

Street Scene be decided an integration of the two services would also require consultation with the existing Council employees. In line with Council procedures, affected employees would be fully consulted on the proposed changes to their employment with support from the Council's HR team.

- 3.5 Options are being explored to introduce charging for HRA assisted gardens and communal area maintenance. Any changes proposed to the service would require full consultation with the Council's tenants.

4. Other Options Considered

- 4.1 A full explanation of the options considered has been provided in the body of this report.

5. Reasons for the Recommendations

- 5.1 A full appraisal of the options previously identified has been undertaken. In consideration of the results Members are requested to provide a recommendation on the preferred option for consideration by Cabinet.

6. Background Papers

- 6.1 Grounds Maintenance Options Appraisal Report presented to Joint Scrutiny Meeting of Environment Overview and Scrutiny Committee and Rural and Communities Overview and Scrutiny Committee on 27 June 2022.

[Grounds Maint Joint OSC Report.pdf \(southkesteven.gov.uk\)](https://www.southkesteven.gov.uk/groundsmaintjointoscreport.pdf)

- 6.2 Grounds Maintenance Options Appraisal report presented to Cabinet on 12 July 2022.

[Covering Report.pdf \(southkesteven.gov.uk\)](https://www.southkesteven.gov.uk/coveringreport.pdf)

7. Appendices

- 7.1 **Exempt Appendix One** – ESK Pricing Schedule

- 7.2 **Appendix Two** – Revised Grounds Maintenance Specification and Associated Savings.

- 7.3 **Exempt Appendix Three** – Procurement Report.

- 7.4 **Exempt Appendix Four** – Loan to EnvironmentSK Ltd