

Appendix E

Option 1 In-House

Table 1

| Potential Advantages: Value for money; commercial potential | Risk/Comments & barriers to entry into the marketplace |
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| <p>Insourcing allows the public authority to exercise more effective resource allocation and maximise its limited resources. This could allow more control of the budget and spending priorities allowing us to consider and where possible implement the findings of the recent Lewisham Parks Consultation: 'A New Strategy For Parks & Open Spaces In Lewisham (Autumn 2018) - Your Chance To Have Your Say'.</p> <p>Any increased costs could be mitigated by income generating opportunities from events, concessions and other activities such as sports facility hire.</p> <p>Opportunity to improve Terms & Conditions for staff transferring to the council. Although this is also a potential cost driver as set out within risk comments opposite.</p> <p>Potential to reduce transaction costs by cutting out the 'middleman' when procuring goods and specialist services</p> <p>Opportunities to increase the synergies with our other existing in-house open space management and operations such as Nature conservation, Allotments, Beckenham Place Park and our Cemeteries and Crematorium.</p> | <p>How VFM is demonstrated would need to be determined/established. Service budget could be at risk due to internal budget pressures as a result of 'perma-austerity'</p> <p>There is a potential for the overall costs of the service to increase following in-sourcing of the service.</p> <p>Cost drivers could include future harmonisation of terms and conditions of employment for staff transferred to the council.</p> <p>Possible increase in corporate overheads due to the requirement to recruit additional staff at the corporate centre to adequately cover various functions e.g. HR/Payroll/accommodation.</p> <p>Potential increase in transaction costs due to the procurement of goods and other specialist services from multiple contractors that are currently sourced via the current contract.</p> |
| <p>TUPE T&Cs (indicative)</p> <p>Glendale Gardener</p> <p>Hours Worked 40</p> | <p>Harmonised T&Cs (indicative)</p> <p>NJC Gardener</p> <p>Hours Worked 35</p> |

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| <p>Approximate annual salary with on cost £28,500</p> <p>Annual Leave 22 Days</p> <p>Sick Pay Entitlement</p> <p>10d Full 10d Half - 1 waiting day</p> | <p>Approximate annual salary with on costs £30,714</p> <p>Annual Leave Basic entitlement 26 Days increasing to 34 after 10 years' service.</p> <p>Sick Pay Entitlement</p> <p>NJC dependent on length of service.</p> <p>During 1st year of service</p> <p>1 month's full pay and (after completing 4 months' service) 2 months' half pay. 1 month's full pay and (after completing 4 months' service) 2 months' half pay During 2nd year of service 2 months' full pay and 2 months' half pay.</p> <p>During 3rd year of service 4 months' full pay and 4 months' half pay.</p> <p>During 4th and 5th years of service 5 months' full pay and 5 months' half pay.</p> <p>After 5 years' service 6 months' full pay and 6 months' half pay.</p> |
| <p>Dependent on the formula used to determine the cost allocation for overheads there could be a potential corporate benefit with costs being allocated across a higher number of staff</p> | <p>Overhead cost allocation could increase the overall budget pressure on the Environment Division.</p> |
| <p>Potential Advantages: In-sourced responsiveness and management</p> | <p>Risk/Comments</p> |
| <p>Providing the service in house would meet with one of the Council's key priorities set out within the Corporate Strategy 2018-2022. 'Building an inclusive local economy' it states that when we are considering whether to commission services, we will have an assumption that the Council is our preferred provider and in-source our contracts'.</p> <p>Opportunity to deliver the service in 'The Lewisham Way' contributing more effectively to the Council's Vision, it's Corporate Strategy 2018-2022 and reflecting its values</p> | <p>Required actions include:</p> <p>Corporate support with project delivery, HR, Communications/Marketing, Administration etc.</p> <p>Creating a new management structure and operating model for the service.</p> <p>Identifying the required level of capital funding for vehicles, plant, equipment etc.</p> |

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| <p>the opportunity to achieve this will be enhanced by operating directly within the councils policies and procedures.</p> <p>Presents the opportunity implement all aspects of the council's Social Value Policy'</p> <p>The Environment Division has a good track record of managing good performing frontline environmental services e.g. Refuse Collection , Street Cleansing, as evidenced within the Users satisfaction survey' (2015)</p> | <p>Harmonising the terms and conditions of transferring staff.</p> <p>Investment needed for training and resource management.</p> <p>In-sourcing lessons learnt from other boroughs has identified that recruiting any new skilled workforce may take much longer than anticipated/planned.</p> <p>Challenges could arise in the mobilisation phase leading to short term customer dissatisfaction.</p> |
| <p>In-house provision would provide more control over quality, local responsiveness and service contribution/connection to other key strategic objectives e.g. the environment, health and/or employment i.e. ability to work more closely with our Public Health colleagues, the 'Local Labour' Manager and the Apprenticeship Team to increase the number of local SMEs within the local supply chain with the potential to increase the number of horticultural apprentices directly employed by the Council. Improving succession planning and increasing the pathways in to work.</p> | |
| <p>Would allow greater flexibility in future decisions making in relation service provision e.g. when exploring other management and maintenance models for our environmental service such as a LATCo i.e. a company wholly owned by the Council.</p> | |
| <p>Potential Advantages: Surety of delivery and risk management</p> | <p>Risk/Comments</p> |
| | <p>The Council will bear all of the risk currently borne by the contractor.</p> |

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| Direct control of risks similar and /or comparable to those borne by other council departments and frontline services. | Challenges could arise in the mobilisation phase of insourcing process leading to short term customer dissatisfaction. Medium to long term risks if budgets are subject to further cuts due to 'perma-austerity'. |
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| Potential Advantages: Environmental and Ecological benefits | Risk/Comments |
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| Changes to parks specifications to alter the management to benefit ecology and biodiversity is possible. This can increase or decrease the resource demand in terms of labour and machinery. It would be potentially quicker to implement the training/coaching needs for the park teams than via the other delivery models. | |

| Potential Advantages: Carbon neutral by 2030 | Risk/Comments |
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| It is difficult to anticipate exactly what future requirements will be in terms of energy efficiency and reducing carbon emissions. The Council will have the flexibility to Corporately innovate across a wide range of service areas and divisions to maximise the opportunities for energy efficiency and reduce carbon emissions. The council will potentially benefit from economies of scale and will be in control of the whole process to phase implementation delivery and take account of any additional infrastructural or capacity needs. | |

Option 2 LATCO

Table 2

| Potential Advantages: Value for money; commercial potential | Risk/Comments & barriers to entry into the marketplace |
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| Able to demonstrate VFM via the competitive tendering process | |
| <p>If the cost of a new contract remains broadly in line with the existing cost there could be a potential cost advantage to the council against an in-house model as this will be lower than the in-house option.</p> | <p>Possible that tenders may exceed available budget leading to reduction in the specified service or standards.</p> <p>The current contract cost and external validation could be considered lagging indicators and it should be recognised that past performance is not a guarantee of future results.</p> <p>Potential surplus value returned to the contractor as profit.</p> |
| <p>The contract price would be relatively fixed so costs are broadly understood for the lifetime of the contract.</p> <p>The contract sum would cover all elements of the contract specification. It is possible to ask the bidders to include the payment of the London Living Wage (LLW) within their tender and to require the contractor to deliver annual efficiencies.</p> <p>We would be able to give consideration to the council's recently adopted Social Value Policy when evaluating tender submissions,</p> | <p>Potentially less flexibility for the council to negotiate changes to the operating model to reduce costs in response to changing circumstances. Contractors may also find delivering efficiencies unsustainable over a long period of time causing a drop in service standards and worst case scenario, early termination of the contract.</p> <p>Although increase in the LLW are currently absorbed by the contractor and not charged directly to the Council, this could change with the risk of the annual increase in the LLW being passed directly to the Council. Historically the LLW % wage annual increase has been higher than the NJC agreed pay rise for local government workers.</p> <p>There will be costs attached to variation works that fall outside of the specification and/or bills of quantities.</p> |
| <p>Removing events and concessions management from the contract specification and tendering directly for parks concessions would offer opportunities to generate income for the Council that currently goes to the contractor.</p> | <p>Removing events and concessions management from the contract specification and tendering directly for parks concessions could be reflected in an increase in the tender price for the delivery of the remaining elements of the contract to maximise revenues and close the gap due to loss of income. APSE studies also suggest lack of motivation for outsourced contractors to innovate and this has been cited by some local authorities as a reason for insourcing.</p> |

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| Potential Advantages: Contract responsiveness and management | Risk/Comments |
| The Council has a good track record of managing a well performing external parks services provider. | There is no guarantee that a new contract would be as successful as the current one. |
| Potential Advantages: Surety of delivery and risk management | Risk/Comments |
| Much of the operational risk is transferred to the contractor* | <p>Bidders likely to reflect costs of transferred risks within their tender submission. This will inflate the cost to the council who ultimately retain all risk, including a vicarious responsibility in all aspects the management of health and safety.</p> <p>The transfer of risk may prove to be a barrier for some contractors as experienced during the 2009 procurement process where a bidder stated their withdrawal from the process was due to a 'high level of liability'. This may have been due to their inability to reliably cost this risk in their tender</p> |

| Potential Advantages: Value for money; commercial potential | Risk/Comments & barriers to entry into the marketplace |
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| Able to demonstrate VFM via the competitive tendering process | |
| <p>If the cost of a new contract remains broadly in line with the existing cost there could be a potential cost advantage to the council against an in-house model.</p> | <p>Possible that tenders may exceed available budget leading to reduction in the specified service or standards.</p> <p>The current contract cost and external validation could be considered lagging indicators and it should be recognised that past performance is not a guarantee of future results.</p> <p>Potential surplus value returned to the contractor as profit.</p> |
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| <p>Removing events and concessions management from the contract specification and tendering directly for parks concessions would offer opportunities to generate income for the Council that currently goes to the contractor.</p> | <p>Removing events and concessions management from the contract specification and tendering directly for parks concessions could be reflected in an increase in the tender price for the delivery of the remaining elements of the contract to maximise revenues and close the gap due to loss of income. APSE studies also suggest lack of motivation for outsourced contractors to innovate and</p> |

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| | this has been cited by some local authorities as a reason for insourcing. |
| Potential Advantages: Contract responsiveness and management | Risk/Comments |
| The Council has a good track record of managing a well performing external parks services provider. | There is no guarantee that a new contract would be as successful as the current one. |
| Potential Advantages: Surety of delivery and risk management | Risk/Comments |
| Much of the operational risk is transferred to the contractor* | <p>Bidders likely to reflect costs of transferred risks within their tender submission. This will inflate the cost to the council who ultimately retain all risk, including a vicarious responsibility in all aspects the management of health and safety.</p> <p>The transfer of risk may prove to be a barrier for some contractors as experienced during the 2009 procurement process where a bidder stated their withdrawal from the process was due to a 'high level of liability'. This may have been due to their inability to reliably cost this risk in their tender</p> |

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| Potential Advantages: Environmental and Ecological benefits | Risk/Comments |
| Changes to parks specifications to alter the management to benefit ecology or biodiversity is possible. It can increase or decrease the resource demand in terms of labour and machinery. | Requires cooperation and formalisation by the LATCo, training & coaching of parks teams. |

| Potential Advantages: Carbon neutral by 2030 | Risk/Comments |
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| <p>It is difficult to anticipate exactly what future requirements will be in terms of energy efficiency and reducing carbon emissions. The Council will have the flexibility to Corporately innovate across a wide range of service areas and divisions to maximise the opportunities for energy efficiency and reduce carbon emissions. It will require close working and coordination so that any changes can be planned and accounted for in the LATCo business operating model. The council will still potentially benefit from economies of scale and will be in control of the whole process to phase implementation delivery and take account of any additional infrastructural or capacity needs.</p> | <p>Coordination may prove problematic and this may be reflected in the ability to be commercially competitive and to provide a revenue return.</p> |

Option 3

Outsourced option

| Potential Advantages: Value for money; commercial potential | Risk/Comments & barriers to entry into the marketplace |
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| <p>Able to demonstrate VFM via the competitive tendering process</p> | |
| <p>If the cost of a new contract remains broadly in line with the existing cost there could be a potential cost advantage to the council against an in-house model.</p> | <p>Possible that tenders may exceed available budget leading to reduction in the specified service or standards.</p> <p>The current contract cost and external validation could be considered lagging indicators and it should be recognised that past performance is not a guarantee of future results.</p> <p>Potential surplus value returned to the contractor as profit.</p> |

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| <p>The contract price would be relatively fixed so costs are broadly understood for the lifetime of the contract.</p> <p>The contract sum would cover all elements of the contract specification. It is possible to ask the bidders to include the payment of the London Living Wage (LLW) within their tender and to require the contractor to deliver annual efficiencies.</p> <p>We would be able to give consideration to the council's recently adopted Social Value Policy when evaluating tender submissions,</p> | <p>Potentially less flexibility for the council to negotiate changes to the operating model to reduce costs in response to changing circumstances. Contractors may also find delivering efficiencies unsustainable over a long period of time causing a drop in service standards and worst case scenario, early termination of the contract.</p> <p>Although increase in the LLW are currently absorb by the contractor and not charged directly to the Council, this could change with the risk of the annual increase in the LLW being passed directly to the Council. Historically the LLW % wage annual increase has been higher than the NJC agreed pay rise for local government workers.</p> <p>There will be costs attached to variation works that fall outside of the specification and/or bills of quantities.</p> |
| <p>Removing events and concessions management from the contract specification and tendering directly for parks concessions would offer opportunities to generate income for the Council that currently goes to the contractor.</p> | <p>Removing events and concessions management from the contract specification and tendering directly for parks concessions could be reflected in an increase in the tender price for the delivery of the remaining elements of the contract to maximise revenues and close the gap due to loss of income. APSE studies also suggest lack of motivation for outsourced contractors to innovate and this has been cited by some local authorities as a reason for insourcing</p> |
| <p>Potential Advantages: Contract responsiveness and management</p> | <p>Risk/Comments</p> |
| <p>The Council has a good track record of managing a well performing external parks services provider.</p> | <p>There is no guarantee that a new contract would be as successful as the current one.</p> |
| <p>Potential Advantages: Surety of delivery and risk management</p> | <p>Risk/Comments</p> |
| <p>Much of the operational risk is transferred to the contractor*</p> | <p>Bidders likely to reflect costs of transferred risks within their tender submission. This will inflate the cost to the council who ultimately retain all risk, including a vicarious responsibility in all aspects the management of health and safety.</p> |

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| | <p>The transfer of risk may prove to be a barrier for some contractors as experienced during the 2009 procurement process where a bidder stated their withdrawal from the process was due to a 'high level of liability'. This may have been due to their inability to reliably cost this risk in their tender</p> |
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*Appendix B sets out the current contract Risk Allocation

| Potential Advantages: Environmental and Ecological benefits | Risk/Comments |
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| <p>Changes to parks specifications to alter the management to benefit ecology or biodiversity is possible. It can increase or decrease the contract sum.</p> | <p>Requires cooperation and formalisation by the contractor, training & coaching of contractor's park operatives.</p> |
| Potential Advantages: Carbon neutral by 2030 | Risk/Comments |
| | <p>It is difficult to anticipate exactly what future requirements will be in terms of energy efficiency and reducing carbon emissions. It is unlikely that contractors working on behalf of the council would be considered outside of the scope of the Council pledge. Therefore, the contract may need to have in built flexibility so the Council can impose change on the Contract. This will be reflected in a possible increase to the contract sum.</p> |