



Mayor and Cabinet

Parks and Open Spaces Management

Date: 2 November 2022

Key decision: Yes

Class: Part 1

Ward(s) affected: All

Contributors:

James Lee Director of Communities, Partnerships and Leisure

Vince Buchanan Head of Parks, Sport and Leisure

Mia Agnew Senior Contracts Lawyer

Katharine Nidd Head of Strategic Finance, Planning and Commercial

Outline and Recommendations

This paper sets out the work undertaken to assess the financial impact of different models for the delivery of Lewisham's parks and open space management service in the short to medium term and makes recommendations for the ongoing delivery of the provision.

It is recommended that the Mayor and Cabinet agree:

- that due to the financial situation facing the Council that the authority should remain with an current model of delivery for the foreseeable future
- that the current contract is extended by a further 14 months to 31 December 2024 and delegate the contractual details to the Executive Director of Community Services, in consultation with the Director of Law, Governance & Elections, within agreed budgets

Timeline of engagement and decision-making

Report to Mayor and Cabinet - 10 October 2019

The Future Management and Maintenance of Parks and Open Spaces

<https://councilmeetings.lewisham.gov.uk/documents/s68146/Green%20Scene%20The%20Future%20Management%20and%20Maintenance%20of%20Parks%20and%20Open%20Spaces.pdf>

Report to Mayor and Cabinet – 10 March 2021

Parks and Open Spaces Management

<https://councilmeetings.lewisham.gov.uk/documents/s78650/Contract%20Extension%20Parks%20and%20Open%20Spaces%20Management.pdf>

1. Summary

- 1.1. This paper sets out the work undertaken to assess the financial impact of different models for the delivery of Lewisham's parks and open space management service in the short of medium term and makes recommendations for the ongoing delivery of the provision.

2. Recommendations

- 2.1. It is recommended that Mayor and Cabinet agree that:
 - 2.1.1. due to the financial situation facing the Council that the authority should not insource Parks and Open Spaces Management and remain with the current model of delivery for the foreseeable future
 - 2.1.2. that the current contract is extended by a further 14 months to 31 December 2024 and delegate the contractual details to the Executive Director of Community Services, in consultation with the Director of Law, Governance & Elections, within agreed budgets

3. Policy Context

- 3.1. Lewisham's Corporate Strategy includes our commitment to Making Lewisham Greener- Everyone enjoys our green spaces, and benefits from a healthy environment as we work to protect and improve our local environment. A key aspect of this commitment is the preservation of our award-winning green spaces.
- 3.2. In November 2008, Professor Sir Michael Marmot was asked by the Secretary of State for Health to chair an independent review to propose the most effective evidence based strategies for reducing health inequalities in England from 2010. The final report (Marmot et al., 2010) includes policies and interventions that address the social determinants of health inequalities, and specifically recommends that improving the availability of high quality green spaces across the social gradient would help reduce health inequalities.
- 3.3. Government policy increasingly recognises the importance of greenspace in people's health and wellbeing for promoting good health, prevention of poor health and treatment and recovery from illness and injury. The Government's 25 Year Environment Plan, 'A green future: Our 25-year plan to improve the environment' acknowledges the essential role that the natural environment and greenspace play in people's physical and mental health, and aims to improve population health and wellbeing by forging a closer connection between people and the natural environment.

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

- 3.4. Commitments to action include those that aim to improve access to greenspace, for instance by creating better green infrastructure, and those that encourage people to engage more, for example through structured programmes that link them to greenspace. The NHS has committed to take more action on prevention and sees the use of green assets as part of the overall plan to achieve this goal. The NHS Long-term Plan (LTP) outlines how Integrated Care Systems will increasingly work with local government at 'place' level, focusing on population health, in recognition of the role which the wider determinants of health play in supporting good health and preventing illness.
- 3.5. The NHS LTP describes the intention to expand the use of social Improving access to greenspace: A new review for 2020 suggested including using green social prescriptions, supported by local accessible greenspace. Both the NHS and other government departments recognise the crucial importance of access to good quality greenspace as a key factor for health.
- 3.6. This is reflected in a wide range of policies across Government including the Childhood Obesity Strategy; Everybody Active, Every Day; Loneliness Strategy ; Clean Air Strategy; Sporting Future; Prevention is Better than Cure; Cycling and Walking Investment Strategy; 5-year Forward View for Mental Health; Integrated Communities Action Plan; and is one of the UN Sustainable Development Goals.

4. Background

- 4.1. On 4th November 2009 the Mayor and Cabinet agreed the recommendation to award a 10 year Green Space Management Contract 2010-2020 to Glendale Grounds Management.
- 4.2. On 10th October 2019 Mayor and Cabinet agreed in principle to insource parks and open spaces services, they also agreed a formal contract extension of 20 months from 1 March 2020 until 31 October 2021.
- 4.3. On 10th March 2021, due to a number of factors related to the COVID-19 pandemic, Mayor and Cabinet agreed that the insourcing be paused with the current contract extended for a further 24 months until 31st October 2023.
- 4.4. Officers are now preparing for the future management of the service and have been required to review the resources required to ensure that delivery remains sustainable.
- 4.5. This includes consideration of the overall financial position of the authority which is facing considerable pressure due to a number of sources. Alongside unprecedented levels of economic and fiscal uncertainty in 2022/23 the Council is committed to adjusting to levels of spending without the £26m of Covid grant support used in 2021/22, prior year cost pressures carried forward, and additional significant budget reductions for 2022/23. These must be delivered in full as planned as any shortfall adds to the funding gap, requiring more cuts to be identified to set a balanced budget.
- 4.6. The Council set its medium term financial plan in July 2022 in the recovery period of a global pandemic without the clarity or certainty on the levels of funding it can expect beyond March 2023. The base case assumptions in that report produced an assumed budget gap of £36m over the four year period of 2023/24 to 2026/27, with a profile of £10m, £10m, £8m, and £7m in each year. Given refinement over the summer the pressure for next year is now estimated to be closer to £18m necessitating difficult decisions around how to reshape services and reduce expenditure during a period of unprecedented inflationary pressures with very little confidence that Government will fund inflationary pressures.
- 4.7. This paper sets out the work undertaken to assess the impact of insourcing the parks maintenance service in the short of medium term and makes recommendations for the ongoing delivery of the provision.

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

5. Current contract

- 5.1. As set out above the current arrangements for the maintenance and management of the boroughs parks have been in place since 2010 during which time the service has performed extremely well with Lewisham assessed as having the best parks in the capital for three of the past six years as assessed by the Good Parks for London report. During this time Lewisham has never been out of the top three positions and is the highest scoring borough across the period.
- 5.2. In addition the service topped the list of those that residents are most satisfied with in the 2021 Lewisham Residents' Survey. Overall, the current model of delivery is achieving high quality results across all aspects of the services and there are no concerns regarding the partnership approach taken. Any potential drop in the quality of service will be identified via the agreed monitoring processes and managed via the robust default mechanisms.

6. Future service delivery

- 6.1. When Mayor and Cabinet agreed, in principle, to the insourcing of the service in 2019 this was based on an options appraisal which considered the following factors:
 - Risk
 - Advantages/Opportunities
 - Value for money
 - Commercial opportunities to generate income
 - Barriers to Market entry
 - Responsiveness/management and surety of service delivery
 - Social Value
- 6.2. The majority of this work remains valid although the experience during the COVID pandemic has demonstrated that external providers can contribute significant social value and, as such, this element of the assessment would be worthy of consideration if the appraisal were to be re-run.
- 6.3. Notwithstanding this, given the financial situation facing the Council, as set out at paragraphs 4.5 and 4.6 above, means that the main focus of the revised assessment has been on the financial modelling to assess whether the authority is in a position to absorb the increased costs likely to be generated through the insourcing of the service.
- 6.4. As such, officers have recently commissioned FMG Consulting, who are currently supporting LB Southwark with the insourcing of the leisure services, to undertake a detailed financial modelling of the costs of bringing the contract under Council delivery. The full report is attached as Appendix 1.
- 6.5. The key working assumption around the financial model has been to assume that the provision will be delivered on a 'lift and shift' approach to allow direct comparison with market testing on the current service. Some key assumptions that have informed the approach are:
 - The price base is 2022/23;
 - No changes have been made to reflect how the Council may change the delivery of this service in the future;
 - The model captures the key marginal impact on income and operating costs resulting from the transfer back to in-house management;
 - Cost changes in the model (fuel, utilities etc.) to bring the projections to 2022 levels but not estimates of future CPI inflation beyond September 2022;
 - The base (current) cost used in the report (for comparison purposes) is the

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

aggregate values for 2022 relating to Scheduled Payments of £2,520,245 to the Contractor and agreed Variation Orders of £67,682 which provided a total contract value of £2,587,927 for 2022.

- 6.6. Overall the financial modelling shows that there would be a considerable increase in costs to the Council should the service be insourced.
- 6.7. The modelling shows total cost for the service to be £4,548,885 in year 1 falling to £4,150,906 in year 3. The current contract costs as modelled by FMG are £2,587,927 which would mean that like for like delivery of the in-house service would require an budget increase of just under £2,000,000 in year one.
- 6.8. The increased costs during year 1 of the service relate to the project management and mobilisation support required to ensure a seamless insourcing of the service and continuity of delivery. These estimates are based on real costs incurred on a live insourcing project in Southwark.
- 6.9. If the service were to be reprocured the Council would still incur some transition/mobilisation costs but these would be expected to be much lower due to the fact that this is a mature marketplace and procurement activity is built into the overall business models of providers and well understood and supported by Council structures.
- 6.10. In order to assess the impact of these projections on the Council's budget it is important to establish the counterfactual position, namely the current cost of the service and the estimated cost of any future contract.
- 6.11. As highlighted at paragraph 5.8 the current contract costs the difference in like for like service delivery in year one of the in-house service would require a budget increase of just under £2,000,000 against current expenditure.
- 6.12. However, it is important to note that the current contract is a mature one and if the Council were to proceed to procurement then there would likely be significant inflationary and risk pressures/factors included in tender submissions for a ten year contract which is a standard contract length for a service of this nature.
- 6.13. Based on informal market testing it is estimated that the current contract sum may to be subject to an increase of around 15% meaning that the contract value for the outsourced service would be c£3m per annum or £1.55m lower than for the insourced service in year one or £1.15m in year 3.
- 6.14. In 2019 it was assessed that annual cost of an insourced service would be approximately £108,000 higher than a reprocured service. However, this was an initial assessment and it was always intended that a more detailed examination of the potential costs be undertaken before the in principle decision on the insourcing were confirmed. In comparing the FMG figures with those submitted in 2019 officers have interrogated the difference between the two in order to ensure that the assumptions made under each assessment are revisited and tested.
- 6.15. The main differences relate to overall staffing/central support costs, potential income, vehicle, and depot/operational expenditure.
- 6.16. Staffing costs are significantly higher for an insourced model for three main reasons. The direct increase in overheads related to Council structures and access to the Local Government Pension Scheme; an adjustment required to reflect the fact that Council staff work a 35 hour week compared to 40 hours across the wider industry (equivalent to 7.57 full time equivalent members of staff) and the fact that Council staff receive a minimum of 4 days extra holiday per year. This holiday differential will actually increase after 5 years due to Council leave policy but in the short term the FMG assessment is deemed sound.
- 6.17. These issues were considered in 2019 but since then the Council's pay structure has increased by around 8% and, notwithstanding this, FMG's professional assessment

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

takes a more prudent view of the likely costs of insourcing based on live experiences in similar projects. Overall FMG assess the staffing costs to be £509,945 more than those considered in 2019.

- 6.18. The income estimates in 2019 were £312,000 whereas FMG kept the existing figure of £83,694. It is important to note that the larger figure assumed the integration of the service with Beckenham Place Park and the income potential there but these have subsequently been realised to support the existing operations so these need to be stripped out of the modelling. There remains potential for income to rise significantly under the in-house model, but this is likely to take some years to establish and assumes all residual 'chilling effects' of COVID have left the market. However, it is important to note that this would also be possible under the contractor model, thereby reducing the overall contract value, so in this regard the FMG methodology of a lift and shift is considered sound.
- 6.19. The estimated cost of operational vehicles has increased significantly from the initial cost modelling completed in 2019 for two reasons. The initial estimate on the number of vehicles that would be required to deliver the service was based on initial estimates of 22. This is less than the number of vehicles that are currently being used to deliver the service. We have been advised by Glendale that there are currently 30 vehicles on contract, an increase on the initial estimate of 26.6%. Therefore, being prudent 30 has been used to inform FMG's cost estimate for this element of service.
- 6.20. The estimated cost of vehicles for the insourced model in 2019 were based on information received via Lewisham's Fleet Services and reflected the rates at that time for internal lease arrangements. FMG's estimates are more reflective of the current market rates for provision via external suppliers. It should be noted that these are considerably higher than initial estimates. There could be scope to reduce these costs via a formal tendering process. However, that approach will not be without its challenges due to the current state of the fleet vehicle supply chain.
- 6.21. The sourcing of vehicles from Fleet Services for an in-house mobilisation date of 1st November 2023 is likely to be challenging and for the reason set out above likely to be unachievable as there is currently an estimated lead time for delivery of approximately 2 years for new fleet vehicles. Therefore, any vehicles supplied by Fleet Services in the short term are likely to come at a premium cost from an external vehicle lease company. Notwithstanding this it is assumed that some efficiencies could be made on the FMG assessment in relation to vehicles.
- 6.22. On wider depot and operational cost FMG estimate these to be significantly higher than the original assessment. This is due to utilities inflation and a more prudent view of the budget required for the reactive repairs and maintenance which is supported by current costs being experienced by the Council across its operational estate. It is assessed that some of these costs are also likely to be experienced by a contractor but they can be mitigated through wider economies of scale and maintenance expertise within their organisations.
- 6.23. The result of the overall comparison shows that the FMG assessment could potentially be moderated from a £1.55m costs in year one or £1.15m in year 3 to result in the in-house option being c£1.2-1.3m more expensive in year one and £900,000 - £1m from year 3.
- 6.24. However, even at this level, given the financial position facing the Council as set out in paragraphs 4.5 and 4.6 above it is recognised that these costs could not be absorbed within the Medium Term Financial Strategy without significant costs savings elsewhere. It is therefore recommended that the Council remain with the current model of delivery for the foreseeable future.
- 6.25. Assuming that the recommendation to remain with a provider model is accepted the

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

second issue to consider is whether the Council should begin to plan for a procurement exercise to deliver a new contract when the current one expires from 1 November 2023 or whether the current market uncertainties make this a sub-optimal time to be procuring long term contracts of this nature.

- 6.26. The Bank of England Monetary Policy Report of August 2022 states 'CPI inflation is expected to rise more than forecast in the May Report, from 9.4% in June to just over 13% in 2022 Q4, and to remain at very elevated levels throughout much of 2023, before falling to the 2% target two years ahead'.
- 6.27. The main reason for the current inflation rate is the Russian invasion of Ukraine which has had a significant impact on the price of fuel, foodstuffs and a range of manufacturing products relied upon in supply chains. This invasion is an event which the Council as a diligent contracting authority could not have foreseen and as such the option to extend the current contract exists to try and ensure that the procurement of the contract avoids the worst of these adverse conditions and high levels of inflation are not 'baked-in' to the price of a long term contract.
- 6.28. In order to explore this further officers have discussed with the current provider who are prepared to agree to an extension until 1 January 2025. The initial terms under discussion for the extension include a RPI uplift on the 1st November 2023 and additional underwriting of the value of assets required for the continuation of the service for an additional 14 months, as per the current agreement. However, officers are currently in negotiation with the existing provider regarding potential minor changes to the contract to ensure that any uplift is kept to a minimum. As such officers recommend that agreement of the contractual details for the extension are delegated to the Executive Director of Community Services in consultation with the Director of Law, Governance & Elections.
- 6.29. There is some residual risk in this option in that inflation may still be at a high level in November 2023 but given the predictions from the Bank of England set out in paragraph 5.22 it is expected that the rate will be at least reducing by that point and will be back to around 2% when the full procurement is undertaken.
- 6.30. This extension would not alter the overall nature of the contract and the overall level of agreed extensions would not exceed 50% of the value of the original contract.
- 6.31. The Council is currently extremely happy with the current contractual arrangement and, as highlighted at paragraph 5.1 Lewisham's Parks are consistently assessed amongst the best in London in the Goods Parks for London Report. <https://parksforlondon.org.uk/resource/good-parks-for-london/>
- 6.32. As such it is recommended that the current contract be extended until the end of December 2024.
- 6.33. Officers have advised Glendale that if the Mayor and Cabinet decide that they do not want to agree to a further contract extension that actions will begin immediately to ensure new management arrangement are in place by the end of the current contract i.e. from 1 November 2023.
- 6.34. Assuming that the contract extension is agreed officers will undertake further review of the model to ensure that the future procurement is undertaken in the most advantageous manner possible for the authority.

7. Contract Extension and service review

- 7.1. As set out above negotiations with Glendale have been undertaken and an 'in principle' agreement has been reached that would see the 14 month extension period delivered based on an inflationary uplift from November 2023. As set out in paragraphs 5.26 – 5.29 above it is hoped that market conditions will have stabilised by that point and inflation returned to closer to the target 2% but even if it hasn't the extension is short enough to

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

be financially manageable which a review of the contract is undertaken to reduce cost pressures.

- 7.2. The basis of the extension would be that that all existing contract terms and conditions will remain for the life of the extension, with any amendments agreed by the Executive Director for community Services in consultation with the Director for Law, Governance and Elections.
- 7.3. During the period of the extension all aspects of the contract will be reviewed to investigate whether a future procurement could be undertaken on a different model to allow the authority to take advantage of commercial opportunities such as the expansions of concessions or wider income generating initiatives. It might also be possible to develop a hybrid model with elements of the service e.g. sports development brought back in house in reflection of the recently formed Communities, Partnerships and Leisure Division which has brought this function into the same team as parks and open spaces.
- 7.4. The extension would also allow for the consideration of the outcome of the current consultation regarding the proposal to return housing management to the Council - <https://lewisham.gov.uk/housing-futures>. Lewisham Homes currently undertake their own ground maintenance and, should the proposal be agreed, the extension will allow for potential synergies of service to be considered.
- 7.5. Following this review it is recommended that the service be subject to a full open procurement exercise to ensure that a new contract is in place from 1 January 2025. It is recommended that Mayor and Cabinet agree that the authority to begin this process is delegated to the Executive Director of Community Services.

8. Financial implications

- 8.1. The Green Space Management Contract (2010-2020) was originally awarded to Glendale Grounds Management on 4 November 2009 with an annual contract value of £3.521m per annum. Therefore at the point of award the forecast cumulative contract cost over the full life of the contract was approx. £35.2m.
- 8.2. Over the life of the contract it has been necessary to make variations to the original contract value due to the removal from the contract of the Lewisham Homes sites, operational changes and other budget reductions resulting from the councils budget strategy.
- 8.3. The current contract extension is due to run until 30th October 23. The current contract value is £2,604.2k pa with a maximum payable under the contract mechanism of 98% of this overall contract sum at £2,552.1k pa. This amount is in line with the current agreed budget of £2,562.1k. The contract extension requested is for a further 14 months to the end of December 24 at a total costs of £3.1m. Discussions are ongoing with Glendale Grounds Management but in principle agreement has been reached that the overall contract expenditure will be contained in line with current costs.
- 8.4. The final decision on the extension contract value to be delegated the Executive Director Community Services and will be contained within existing agreed budgets.

9. Legal implications

- 9.1. The report recommends that the decision made by Mayor and Cabinet on 10th October 2019 to insource the service is reversed and that the service continues to be provided by an external contractor. A further report will need to be brought back to Mayor and Cabinet for approval to procure.
- 9.2. This report also recommends that Mayor and Cabinet extend the current Parks and Open Spaces Management contract for a period of 14 months until 31st December 2024. The

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

contract was originally awarded for a period of 10 years from 2010 until 2020. It has since been extended as detailed in the report until 31st October 2023.

- 9.3. The Council is obliged to comply with the Public Contracts Regulations 2015 (the Regulations). Some variations to existing contracts may trigger a requirement to undertake a new competitive tender process. The Council's Contract Procedure Rules set out which variations can be made without a new competitive process (Constitution Part IV I, paragraph 17 of Contract Procedure Rules). This report explains why these changes are proposed.
- 9.4. The report refers to current market conditions arising (paragraph 6) as the rationale for extending the current contract. Rule 17.3 of the Contract Procedure Rules refers to the requirement of the Regulations (regulation 72(1)c) that where the need for a modification (extension) has been brought about by circumstances which a diligent contracting authority could not have foreseen; and the modification does not alter the overall nature of the contract, then a change may be made provided that the change does not result in an increase in price of more than 50% of the value of the original contract. The proposed change does not exceed that level. As such, there is an argument that the variation does not trigger a requirement to undertake a new procurement.
- 9.5. On that basis, therefore, the proposed changes are allowable under the Council's Contract Procedure Rules paragraph 17.
- 9.6. This decision is a Key Decision under Article 16.2 (c) (xxiii) of the Constitution as it has a value of more than £200,000. It is therefore required to be contained in the current Key Decision Plan.

10. Equalities implications

- 10.1. There are no direct equalities implications arising as a result of this report.

11. Climate change and environmental implications

- 11.1. There are no direct environmental implications arising as a result of this report as it relates to the status of the provider of the service rather than the deliverable themselves.

12. Crime and disorder implications

- 12.1. There are no direct crime and disorder implications arising as a result of this report.

13. Health and wellbeing implications

- 13.1. There are no direct health and wellbeing implications arising as a result of this report.

14. Social Value implications

- 14.1. Glendale will continue to pay the London Living Wage for the duration of the contract extension.

15. Background papers

- 15.1. Report to Mayor and Cabinet - 10 October 2019: The Future Management and Maintenance of Parks and Open Spaces
<https://councilmeetings.lewisham.gov.uk/documents/s68146/Green%20Scene%20The%20Future%20Management%20and%20Maintenance%20of%20Parks%20and%20Open%20Spaces.pdf>
- 15.2. Report to Mayor and Cabinet – 10 March 202: Parks and Open Spaces Management

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

<https://councilmeetings.lewisham.gov.uk/documents/s78650/Contract%20Extension%20Parks%20and%20Open%20Spaces%20Management.pdf>

16. Report author and contact

16.1. Vince Buchanan, Head of Parks, Sport and Leisure , vince.buchanan@lewisham.gov.uk, 020 8314 2024

17. Comments for and on behalf of the Executive Director for Corporate Resources

17.1. Abdul Kayoum, Group Finance Manager, abdul.kayoum@lewisham.gov.uk,

18. Comments for and on behalf of the Director of Law, Governance and HR

18.1. Mia Agnew, Senior Contract Lawyer, mia.agnew@lewisham.gov.uk, 020 8314 7546

19. Appendix 1 - Lewisham Parks & Open Spaces Insourcing - Financial Modelling completed by FMG consulting

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>