



Mayor and Cabinet
Contract Extension – Parks and Open Spaces Management.

Contract Extension – Parks and Open Spaces Management.

Date: 10 March 2021

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
Yusuf Shaibu	Group Finance Manager Community Services (interim)

Outline and Recommendations

The purpose of this report is to set out in brief the impact of COVID-19 on the Parks Service and its ability to successfully insource the parks service as agreed by Mayor and Cabinet on the 10 October 2019.

It is recommended that the Mayor and Cabinet:

- Agree an extension to the Green Space Contract until 31 October 2023.
- Instruct Officers to make the necessary contract amendments to facilitate the extension

Timeline of engagement and decision-making

See report to Mayor and Cabinet 10 October 2019

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

1. Summary

- 1.1. The report sets out the impact of COVID-19 on the Parks Service and the ability of officers to undertake the substantial amount of work required to insource the service successfully as agreed by Mayor and Cabinet on 10 October 2019.

2. Recommendations

- 2.1. It is recommended that Mayor and Cabinet agree to:
 - 2.1.1. a further extension of 24 months to the Green Space Contract with Glendale Grounds Management from 1st November 2021 until 31st October 2023 at a cost of £ £5.2m.

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 commitments is the: Preservation of our award-winning green spaces.
- 3.2. The current Green Space Contract was initially let for a duration of 10 years i.e. from 1 March 2010 until 29 February 2020.

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. Within the report presented to Mayor and Cabinet on 10th October 2019 officers set out an indication of the scope of work that would be required to enable a successful insourcing of the service.

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- 4.4. However, due to a number of factors related to the COVID-19 pandemic officers are now recommending that the current contract is extended for a further 24 months and the services are insourced on 31st October 2023.
- 4.5. Officers do not intend that the recommendation to Mayor and Cabinet for a further contract extension to run contrary to the Council's assumption to be the preferred provider as set out with the Corporate Strategy. The extension is intended to de-risk any future insourcing as the world returns to more certainty as we learn to mitigate against the impact of COVID-19.

5. Reason for Contract Extension and Performance

- 5.1. The recommendation for Mayor and Cabinet to agree a further contract extension has been presented by officers due to the impact of the COVID-19 pandemic. This has brought about significant changes to the context in which the Council and the parks service now exists. Acknowledging these social and economic changes prompted officers to recommend that the current contract is extended whilst the impact of Covid-19 is mitigated allowing for a successful insourcing of the service.
- 5.2. As a result of Covid-19, opportunities for income generation have reduced significantly. This would impact the financial modelling in relation to the insourced model meaning that insourcing at this current time could significantly increase the cost to the Council whilst the impact of Covid-19 is still ongoing. In the year to November 2020 Glendale have experienced a 47% drop in events revenues with the full year impact likely to be considerably worse. Due to the way that the current contract is structured the Council is protected against this risk. It is possible that recovery from COVID-19 and the impact on the events sector could take a number of years.
- 5.3. It has been reported that some parks management organisations around the UK that have built their business model around the revenues generated from events, concessions and other commercial activities may be on the brink of collapse as their source of revenue has dried up.¹
- 5.4. When considering the risk of the Council failing to generate the revenues forecast as part of its insourced model and shifting estimates towards a less favourable position it will place pressure on the parks revenue budget, potentially having a negative impact on the quality of the services provided.
- 5.5. In addition to these financial considerations the social impact of the pandemic has seen a significant rise in the number of visitors to our parks and open spaces as people have looked for some respite from the impact of lockdown and other restrictions on people's ability to pursue many of the usual family, social and cultural activities that they may have enjoyed pre-COVID.
- 5.6. This has increased demand on the parks service with all members of the parks team focused on their day to day work and working closely with Glendale to manage and mitigate the impact of COVID-19 and the increased demand on the service. This major

¹ 'Precarious parks: the impact of coronavirus on London's green spaces'. London Landscape no-55 Summer 2020, The London Parks and Gardens Trust

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distraction from 'business as usual' brought about a pause the initial work that officers had begun on the insourcing of the service.

- 5.7. The pandemic has impacted more widely across the Council placing additional demands on departments that would contributed to the work required for the successful insourcing, e.g. Finance, HR, Legal Services, Health and Safety and Regeneration and Place.
- 5.8. The pandemic has also impacted on Glendale nationally as they have focused on mitigating the impact of COVID-19 on many of their clients and communities that receive their services including locally in Lewisham. Therefore it was considered unreasonable by Officers to begin the process of decommissioning the service and distracting their management team at such a critical time although lines of communication on this matter have remained open.
- 5.9. As such, Officers have explored how feasible it would be to extend the current contract with Glendale to mitigate against the impact of Covid-19 on the service provision. This would also allow for the deferral of capital investment required to mobilise an in-house service and the revenue budget growth anticipated as being required for a newly insourced service in 2021.
- 5.10. Negotiations with Glendale have been broadly successful in delivering these aims and an 'in principle' agreement has been reached that would contain the expenditure position on the service broadly in line with the current projections.
- 5.11. The outcome of the negotiations were that all existing contract terms and conditions will remain for the life of the extension, apart from the following amendments:
 - Contract Clause 10, amendment of the contract efficiency mechanism i.e. RPIx-3% with the agreement to increase the contract bill of quantities by 1% as set out below at paragraph 6.7.
 - Contract Clause 33.5 'Plant and Equipment' as set out below at paragraph 6.8
- 5.12. Officers do not intend that the recommendation to Mayor and Cabinet for a further contract extension to run contrary to the Council's assumption to be the preferred provider as set out with the Corporate Strategy. The extension is intended to de-risk any future insourcing as the world returns to more certainty as we learn to mitigate against the impact of COVID-19.
- 5.13. Officers have advised Glendale that if the Mayor and Cabinet decide that they do not want to agree to a further contract extension that we will commence with the insourcing as previously agreed i.e. from 1 November 2021. However Officers believe that in the current situation that to insource as we navigate or way out of the COVID pandemic and the wider economic challenges the Council is currently dealing with would be the sub-optimal choice.
- 5.14. Officers are satisfied with Glendale's performance across all aspects of the contract and have no concerns that they will continue to perform at the current levels. Any potential drop in the quality of service will be identified via the contract monitoring and managed via the robust default mechanisms.

6. Financial implications

- 6.1. The Green Space Contract 2010-2020 was awarded to Glendale Grounds Management

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on 4 November 2009 with an annual cost of £3.521m per annum therefore at that time the forecast cumulative contract sum over the life of the contract would have been approximately 35m.

- 6.2. However due to a number of factors such as the contract efficiency mechanism, a reduction in revenue budgets and subsequent cuts in services due to austerity and the removal of the Lewisham Homes elements of the contract the current annual contract sum is £2.533m (£2.483m after Contract performance mechanisms applied) with the cumulative sum being less than forecast.
- 6.3. The cost of the current 20 month contract extension previously agreed, which ends October 2021 is approximately 4.2m. The current further extension being requested for a further extension 24 months from 1 November 2021 until 31 October 2023 will be approximately £5.1m
- 6.4. For the reasons set out above at 5.11 and 5.12 'in principle' agreement has been reached with Glendale that would contain the expenditure position of the service broadly in line with the current projections.
- 6.5. It has all been agreed that there will be 1% increase in the contract Bill of Quantities on the 1 November 2021 and further increases of 1% from the 1 April for remaining 2 years of the contract.
- 6.6. There will also be a requirement to amend Contract Condition 33.5 'Plant and Equipment' this will change the current requirements in relation to the provision of plant and equipment and the end of the extension. This will enable Glendale to make the capital investment in plant and equipment necessary to successfully deliver a high quality service. The Financial implication of this change is an end of contract liability to the council of approximately £43k to cover the Net Book Value (NBV) of the plant and equipment that will pass to the council to enable continuity of service.
- 6.7. The annual available budget is £2.487m. There are however additional unbudgeted costs to cover annual 1% inflation (approximately £75k over 3 years) increases as well as the £43k residual NBV to be paid for plant and equipment at end of contract. So in essence £120k funding gap will need to be identified

7. Legal implications

- 7.1. The recommendation in the report is to extend the contract with Glendale Grounds Management, for a further two years without carrying out a competitive process. The report notes that this organisation has been providing this service since 2010. The proposal is to make a change to the current contract, by extending it for a further two years.
- 7.2. The Council is obliged to comply with the procurement Regulations (Public Contracts Regulations 2015 as amended by the The Public Procurement (Amendment etc.) (EU Exit) Regulations 2020). 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 this extension to the contract for a further two years is proposed.
- 7.3. Rule 17 of the Council's Contract Procedure Rules allows for extensions of contract in certain circumstances. These include necessary changes to purchase new works, services or supplies from the contractor and not included in the original procurement, or for changes to deal with unforeseen circumstances. This can only be relied on where a change of contractor would cause significant inconvenience (or substantial duplication of cost) or, a change of contractor cannot be made for economic or technical reasons.

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In addition, the change must not result in an increase in price of more than 50% of the total value of the contracts across their term. This price limit applies to each separate change however, it must not be used as a means of circumventing the procurement rules. The extension requested meets the circumstances set out in Rule 17.

- 7.4. The decision to extend the contract is a key decision.
- 7.5. In taking this decision, the Council's public sector equality duty must be taken into account. It covers the following protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. In summary, the Council must, in the exercise of its functions, have due regard to the need to: eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act; advance equality of opportunity between people who share a protected characteristic and those who do not; and foster good relations between people who share a protected characteristic and those who do not.
- 7.6. It is not an absolute requirement to eliminate unlawful discrimination, harassment, victimisation or other prohibited conduct, or to promote equality of opportunity or foster good relations between persons who share a protected characteristic and those who do not. It is a duty to have due regard to the need to achieve the goals listed above. The weight to be attached to the duty will be dependent on the nature of the decision and the circumstances in which it is made. This is a matter for Mayor and Cabinet, bearing in mind the issues of relevance and proportionality. Mayor and Cabinet must understand the impact or likely impact of the decision on those with protected characteristics who are potentially affected by the decision. The extent of the duty will necessarily vary from case to case and due regard is such regard as is appropriate in all the circumstances.
- 7.7. The Equality and Human Rights Commission (EHRC) has issued Technical Guidance on the Public Sector Equality Duty and statutory guidance. The Council must have regard to the statutory code in so far as it relates to the duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found on the EHRC website.

8. Equalities implications

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

9. Climate change and environmental implications

- 9.1. There are no direct environmental implications arising as a result of this report.

10. Crime and disorder implications

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

11. Health and wellbeing implications

- 11.1. There are no direct health and wellbeing implications arising as a result of this report.
- 11.2. Glendale will continue to pay the London Living Wage for the duration of the contract extension.

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12. Social Value implications

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

13. Background papers

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

14. Glossary

Term	Definition
Net book value (NBV)	It is the value at which the assets are valued in the balance sheet of the company as on the given date

15. Report author and contact

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

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

- 16.1. Yusuf.Shaibu, Interim Group Finance Manager, Yusuf.Shaibu1@lewisham.gov.uk

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

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

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