

The Highland Council
Community Services Committee

3 November 2016

Agenda Item	7
Report No	COM 42/16

Review of Arrangements for Grass Cutting

Report by Director of Community Services

Summary

This report will provide information on the Options Appraisal carried out by Community Services on the options for in-house, privatised and mixed service provision of grass cutting in the Highlands.

1. Background

1.1 At the meeting of the Community Services Committee on 18 August 2016, it was agreed that an Options Appraisal for the Council's grass cutting services would be prepared that would examine:

- in-house provision;
- full privatisation; and
- mixed service (with a range of sub-options) for grass cutting in the Highlands, and that current provision and budgetary position would be used as a baseline.

1.2 It was also agreed that:

- the Director of Community Services would report back to the Committee on 3 November 2016 updating proposals for service delivery going forward with a commitment to close monitoring of any contractual arrangements in 2017/18;
- the grass cutting service would be delivered by in-house staff on Skye and Lochalsh from 1 April 2017 within the existing budget available to Skye and Lochalsh at this time; and
- Community Services would consider if any other smaller areas could be delivered, similar to Skye and Lochalsh, from 2017/18.

1.3 Since the last meeting of the Committee, Community Services has completed the Options Appraisal, and the purpose of this report is to provide:

- an update on the work undertaken; and
- a preferred option for arrangements for grass cutting in the Highlands for 2017 / 18 and beyond.

2. Current Position

2.1 An update on existing grass cutting arrangements was provided to the Community Services Committee on 18 August 2016. This update identified key issues affecting the service including concerns over standards, Council Redesign, financial challenges, and disaggregation of budgets.

- 2.2 An update was also provided on the status of the procurement of grass cutting services for areas not being insourced at that time, i.e. Badenoch and Strathspey, Inverness, Lochaber, Mid Ross and West Ross.
- 2.3 Since August, grass cutting services have continued to be delivered through existing arrangements, and the decisions of the Committee have been implemented as follows:
- the grass cutting contract with Golders for Skye and Lochalsh was terminated at the end of October 2016;
 - the contract with ISS for Badenoch and Strathspey, Inverness, Lochaber, Mid and West Ross expired at the end of October 2016; and
 - grass cutting has continued to be delivered in-house in Sutherland, Caithness and East Ross.
- 2.4 Community Services have also:
- arranged for winter maintenance work to be provided in-house in Inverness, Nairn and Lochaber;
 - investigated arrangements for grounds maintenance work to be delivered during summer 2017; and
 - carried out an indicative Options Appraisal assessing the respective merits of the 3 alternative methods of service delivery agreed at August's Committee.
- 2.5 The current cost of providing grass cutting services throughout the Highlands is £2.393m. This is included in the overall Grounds Maintenance budget of £4.2m. These costs have remained the same since 2011, when grass cutting was competitively tendered to realise a saving of £600k
- 2.6 Additional savings of £40k for financial years 2017/18 and 2018/19 have also been agreed, and this report's proposals are based on all previous and future agreed savings being achieved.

3. Review of Existing Arrangements for Grass Cutting

- 3.1 Community Services recognises the importance of Grounds Maintenance services to our communities. We also recognise the concerns that Members and communities have over the quality of the work being carried out, both this year and in previous years. In order to address these concerns, we have started a review of all our Grounds Maintenance services. Activities within the scope of this review include:
- grass cutting in areas such as town centres, parks, residential areas and sports facilities;
 - weed control in our residential areas;
 - verge maintenance on our main roads; and
 - shrub bed maintenance.
- 3.2 The tasks completed to date include:
- updating of our asset database;
 - confirming all of the work that we need to carry out on these assets and

how often; and

- establishing the resources required, in terms of employees and machinery, to carry out this work.

3.3 It is also proposed that a revised specification for Amenity Services is developed that will allow the Council to target resources towards our priorities for the economy, tourism and localism, whilst ensuring that our neighbourhoods remain attractive to residents, visitors and businesses. By focussing on these outcomes, Amenity Services will be more flexible in terms of its resources and activities, whilst still being responsive to the needs of our stakeholders. It is proposed that this specification is developed over the coming Winter, with a report being submitted to the next Community Services Committee in February 2017.

3.4 We have also taken this opportunity to review our arrangements for quality control and performance management. It is acknowledged that existing arrangements have not provided sufficient information to allow effective scrutiny and decision-making by both Members and Officers.

3.5 We are therefore investigating a performance management system that will provide the level of detail sought, whilst at the same time being straightforward to implement and understand. Such a system should:

- measure the quality of local environments from the perspective of the service user;
- be more easily understood by its target audience;
- be easily incorporated into business as usual for operational teams; and
- be straightforward for communities to use to measure performance of service providers.

4. Options Appraisal

4.1 In conducting the Options Appraisal, 7 criteria were developed to allow effective comparison between the 3 options agreed. These criteria are:

- the overall cost of service;
- effective management of risk, including financial, legal and reputational;
- flexibility of service delivery in an uncertain financial climate;
- opportunities for income generation and developing a more commercial approach;
- developing capacity to provide support for, for example, events and winter maintenance activities;
- performance management; and
- alignment with the Council's localism agenda.

4.2 Cost of Service

4.2.1 The current cost of providing grass cutting services throughout the Highlands is £2.393m. This is included in the of the overall Grounds Maintenance budget of £4.2m, and has been the same since a saving of £600k was realised when the services were subject to competitive tendering in 2011.

4.2.2 The existing grass cutting contract with Golders for the Skye and Lochalsh areas has a value of £136k. This work will be brought in-house in 2017 following the

Committee's decision on 18 August 2016.

- 4.2.3 The grass cutting contract with ISS has reached the end of its second extension period, and needs to be renewed for 2017. Members were consulted at the beginning of 2016 on preferred options for delivering the service in the future. This exercise has been completed, and we have sufficient information to allow us to prepare a contract specification, if required, for grass cutting in the Badenoch and Strathspey, Inverness, Lochaber, Mid Ross and West Ross areas, as well as those areas still maintained by our in-house teams for 2017.
- 4.2.4 Through our routine contract management meetings with ISS, we are aware that their charges for grass cutting could rise by as much by 8% next year. They have attributed this rise to the increase in the minimum wage and the need to invest in the machinery used to deliver the grass cutting contract. This could result in the cost of delivering these services externally increasing by £96k. This increase has been taken into account during the Options Appraisal process.
- 4.2.5 Amenity Services have carried out detailed analysis of the costs of providing grass cutting in-house. This has involved developing Resource Models that take into account:
- the number and size of areas we maintain;
 - the resources (machinery, vehicles, materials and employees) required to carry out this work; and
 - the cost of these resources.
- 4.2.6 This has identified that grass cutting can be delivered in-house at a similar cost as outsourcing, for the same level of service. Improvements in productivity and working practices will be required to achieve this. These can be realised through, for example:
- improved use of technology;
 - procuring more efficient plant and equipment in consultation with our employees; and
 - more efficient and flexible use of our workforce.
- 4.2.7 We are also aware that a number of community-based and third sector organisations have expressed an interest in delivering some or all of the Council's grounds maintenance services in their areas. We will continue to work to identify these groups and help develop their capacity for taking on this work where feasible. Through the Resource Models we have developed, we will be able to assess the financial and operational viability of any business case presented for consideration, and provide recommendations on these to future Community Services Committees.

4.3 Effective Management of Risk

The risks associated with the 3 options being considered have been identified and risk assessments carried out to allow officers to mitigate them. The risks assessed are as follows:

4.3.1 Financial:

The principal risks are that the budget for 2017 onwards may not be sufficient to meet the expectations of our stakeholders, particularly if outsourcing results in increased costs of up to 8%. Effective mitigation can be achieved through our

review of the existing specification to identify opportunities for cost reduction, and by managing our stakeholders' expectation through effective consultation.

4.3.2 Legal:

As mentioned at paragraph 4.2, the current grass cutting contract with ISS has expired. In terms of the Council's Procurement Standing Orders, the £1.2 million per annum value of the contract will require an EU tendering process. Preliminary discussions with procurement indicate that this will take a minimum of 5 months to complete. There is therefore a risk that these services cannot be procured by the start of the grass cutting season in April 2017. Community Services will work with Procurement Services to identify how these services could be procured in accordance with our Standing Orders.

4.3.3 In addition, TUPE may apply to existing employees of both Golders and ISS, and advice will be sought from both HR and Legal Services on how to mitigate any risks that this will present to the Council.

4.3.4 Reputational:

As mentioned in paragraph 3.1, the quality of grass cutting services across the Highlands has caused concern to our stakeholders. Continued performance issues, either perceived or actual, could result in a loss of credibility for both the Council and those delivering these services. This risk can be mitigated by improving our quality management and inspections systems, as per paragraph 3.2 above, and by improved communication with our stakeholders of what is achievable with the resources we have available to us.

4.3.5 Operational:

Bringing grass cutting in-house, if agreed, will require the recruitment of up to 90 seasonal employees between now and the end of March 2017. A new operational structure will also need to be implemented, both geographically and in terms of front-line management, to reflect the increase in the size of the workforce and the Council's aspirations for the service. A training and development programme for both existing and new employees will need to be developed to address these issues. However, we are confident that an in-house grass cutting service can be established, operating to the required standard, by the end of March 2017.

4.4 Flexibility of service delivery in an uncertain financial climate

4.4.1 The current financial climate for the Council is one of uncertainty, and it is acknowledged that this will continue for the foreseeable future. The Council must therefore have sufficient control over its resources to allow it to deliver its priorities whilst ensuring that financial efficiencies continue to be achieved.

4.4.2 The report to full Council on 27 October 2016 outlined for Members the requirement for considerable further savings to be achieved in 2017/18. As a result it is inevitable that there will be pressure to make savings across all functions, including grass cutting, and a report will come back to the February Council in this regard.

4.5 Opportunities for Income Generation

Amenity Services currently provide services to a number of internal and external customers such as Housing Services, Care and Learning and High Life

Highland. Income generating opportunities available through the 3 options agreed were assessed taking into account the need to adopt a more commercialised approach to service provision. For example, we considered how the Council and any commercial partner could further develop the existing Community Planning Partnership with, for example UHI, NHS Highland, Police Scotland and Scottish Fire and Rescue, to:

- provide Amenity Services throughout the Highlands; and
- identify any other under developed markets in the Highlands.

4.6 Performance Management

4.6.1 It is acknowledged that existing arrangements for performance management of both external and internal service providers have not provided sufficient information to allow effective scrutiny and decision-making by both Members and Officers.

4.6.2 The Options Appraisal assessed how performance would be managed in each of the 3 Options, and took into account:

- financial incentives and penalties for external service providers;
- streamlining of performance management within an in-house provider; and
- the approach to managing mixed service provision.

4.7 Developing capacity to provide support for, for example, communities, events and winter maintenance

4.7.1 Amenity Services make a significant contribution to the Council's Civil Contingency arrangements, for example by responding to Severe Weather and Flooding, and also Winter Gritting. Amenity Services also provide operational support to the Council's cultural events programme, and maintaining this level of support has been built into the appraisal.

4.7.2 Any new management and operational structure will provide capacity to support community projects such as the redevelopment of community facilities (parks, play areas, sports pitches) or the transfer of front-line services to community organisations.

4.8 Contributing to the Council's Localism Agenda

4.8.1 £28m of Community Services' budget has already been disaggregated to the 8 Local Committees as part of the Council's commitment to increasing community empowerment.

4.8.2 Approximately £1.3m of this budget is for Grounds Maintenance, including play area inspections and repairs. The Options Appraisal considered how the three service delivery options could contribute to improving local decision-making.

4.8.3 Through this process, opportunities have been identified for greater involvement of our communities in monitoring the performance of our services through the development of a more customer-focussed specification and performance management system.

5. Outcome of Options Appraisal

5.1 The Options Appraisal was conducted using the Council's Options Appraisal Toolkit. The 7 criteria identified in paragraph 4.1 were used to assess the merits of each option, and weightings were applied to reflect the importance of each criterion in contributing to our Corporate and Service Priorities.

5.2 The appraisal is summarised in **Appendix 1**, with the main findings as follows:

1. the cost of delivering the service in-house was £90,000 more expensive than a wholly externalised service;
2. risk can be more effectively managed by retaining grass cutting services in-house. This is due to increased uncertainty over the future cost of providing the service, and increased control over the quality of the work being carried out;
3. flexibility in service delivery, both within Amenity Services and across other essential Council services such as Waste Collection and Roads Maintenance, will be improved by retaining services in-house and increasing the pool of available employees;
4. improved opportunities for income generation through public sector partnerships and improved commercial approach to generating business opportunities;
5. retaining work in-house will enhance existing capacity to support our communities;
6. costs of managing the performance of external service providers will be reduced. This approach will also increase ownership of quality and performance within the in-house team; and
7. the opportunities for increasing localism through in-house service provision will be increased by building on the strong links already developed between communities and officers within Amenity Services.

5.3 During the Options Appraisal, it was also identified that bringing services in-house can make a significant contribution to local economies. Research conducted by organisations such as APSE has shown that every £1 spent directly by the Council can generate £1.64 in the local economy through employment and supply chains.

5.4 It was therefore identified that insourcing of the grass cutting would be the preferred option, with the following work to be completed by March 2017:-

- a revised specification for Amenity Services to be developed to ensure that they continue to meet the needs of our stakeholders and can be delivered within existing financial resources;
- the introduction of a new inspection and reporting system, with closer links with our communities being developed through increased community involvement in quality inspections;
- a new operational structure to be developed within Community Services to deliver the required improvements in productivity, quality, flexibility, responsiveness and support for our communities; and
- the recruitment of up to 90 seasonal Amenity Services employees to deliver summer grass cutting services and to be available to support other front-line services as required.

6. Implications

6.1 Resources:

No additional resources will be required to deliver the actions identified in the report.

6.2 Risk:
The financial, legal and reputational risks identified will be mitigated through a systematic risk management approach.

6.3 Legal:

6.3.1 The risk relating to a challenge regarding the procurement process has been estimated as being low.

6.3.2 There may be TUPE implications with regards to employees that transfer in from contractors if services are brought back in-house. Community Services will work with Legal and HR Services to ensure that the Council meets its obligations in this regard.

6.4 Equalities, Climate Change / Carbon Clever, Gaelic and Rural Implications:
There are no known equality, climate change / Carbon Clever, Gaelic or other rural implications arising from this report.

Recommendation

Members are invited to agree that:

- the Director of Community Services establishes an in-house operation that can provide Amenity Services, including grass cutting, throughout the Highlands for Financial Year 2017 / 18 onwards;
- a revised management structure within Amenity Services is prepared to position the service appropriately to respond dynamically, flexibly and positively to the changing National, Council and Service priorities; and
- a new performance management system is identified and implemented to improve scrutiny and decision-making for Amenity Services throughout the Highlands.

Designation: Director of Community Services

Date: 11 October 2016

Author: Andy Summers, Head of Environmental and Amenity Services

Appendix 1

Criteria	In-house provision	Externalised provision	Mixed provision
1. The overall cost of service,	£2,393,052	£2,335,134	£2,393,052
2. Effective management of risk, including financial, legal and reputational,	<p>a. Financial – increase in cost of providing service. Mitigate through, prioritising specification (in consultation with stakeholders)</p> <p>b. Legal – TUPE. Council will comply with TUPE Regulations where applicable. Sufficient time is available to follow TUPE procedures</p> <p>c. Reputational – develop improved quality management and inspection procedures, improve communication with stakeholders</p> <p>d. Operational - bringing grass cutting in-house, if agreed, will require</p> <p style="padding-left: 20px;">i. recruitment of up to 90 seasonal employees between now and the end of March 2017</p> <p style="padding-left: 20px;">ii. new operational structure</p> <p style="padding-left: 20px;">iii. training and development programme for both existing and new employees</p>	<p>a. Financial – contractors’ price increases. Mitigate through, prioritising specification (in consultation with stakeholders)</p> <p>b. Legal – compliance with Procurement Standing Orders with regards to challenging timescales</p> <p>c. Reputational – work in partnership with contractors to develop improved quality management and inspection procedures, improve communication with stakeholders</p> <p>d. Operational – existing contractor has relatively stable workforce and management structure. However, no guarantee that existing contractor would be successful in any future procurement exercise</p>	<p>a. Financial – increase in cost of providing service. Mitigate through, prioritising specification (in consultation with stakeholders)</p> <p>b. Legal – compliance with Procurement Standing Orders re value of contract, challenging timescales</p> <p>c. Reputational – work in partnership with contractors to develop improved quality management and inspection procedures, improve communication with stakeholders</p> <p>d. Operational</p> <p style="padding-left: 20px;">i. existing contractor has relatively stable workforce and management structure. However, no guarantee that existing contractor would be successful in any future procurement exercise</p> <p style="padding-left: 20px;">ii. bringing grass cutting in house, if agreed, will require recruitment of up to 90 seasonal employees between now and the end of March 2017; new operational structure, and training and development programme for both existing and new employees</p>

Criteria	In house provision	Externalised provision	Mixed provision
3. Flexibility of service delivery in an uncertain financial climate	<ul style="list-style-type: none"> a. By delivering services in-house, improve flexibility to react to changing financial and council priorities b. Also have ability to realise savings through efficiency and productivity improvements, and revised specifications c. Savings achievable by reducing specification d. Use seasonal / new employees flexibly to deliver a range of Amenity Services 	<ul style="list-style-type: none"> a. Potential that by locking in to longer term contracts, may reduce flexibility required to address forthcoming financial challenges b. Shorter contracts may increase cost. c. Savings achievable by reducing specification d. However, externalised provision would reduce ability to realise savings internally through efficiency improvements or revised specifications 	<ul style="list-style-type: none"> a. Potential that by locking in to longer term contract, may reduce flexibility required to address forthcoming financial challenges b. Shorter contracts may increase cost. c. Savings achievable by reducing specification d. However, externalised provision would reduce ability to realise savings internally through efficiency improvements or revised specifications
4. Opportunities for income generation and a more commercial approach,	<p>Local knowledge within Highlands provides us with competitive advantage in identifying opportunities for public partnership working. Can also build on existing relationships within Community Health Partnerships</p> <p>All risk lies with Council, as would all profits</p> <p>Current lack of commercial expertise may mitigate against this</p>	<p>Partnership approach can be adopted with successful contractor to develop Public Sector model and use expertise from all organisations to deliver Best Value for Public Sector in the Highlands</p> <p>Would need to identify appetite within Council for this approach</p> <ul style="list-style-type: none"> e. As well as sharing risk, profits would also need to be shared 	<p>Partnership approach can be adopted with successful contractor to develop Public Sector model and use expertise from all organisations to deliver Best Value for Public Sector in the Highlands</p> <p>Would need to identify appetite within Council for this approach</p> <ul style="list-style-type: none"> e. As well as sharing risk, profits would also need to be shared

Criteria	In house provision	Externalised provision	Mixed provision
5. Performance management	<p>Removing client / contractor split will streamline management of the service and improve ownership of performance and quality</p> <p>Proposed LAMS system is transparent and can be used by both external contractor or in-house service provider</p> <p>Inspection will be incorporated into “business as usual” for front line managers and officers within Amenity Services, reducing costs</p> <p>Revised monitoring systems will increase opportunities for monitoring of performance by communities</p>	<p>Incentive for satisfactory levels of performance are financial (i.e. paid by results, penalties / retention of payments for poor performance)</p> <p>Higher cost of monitoring and managing performance of external contractors</p> <p>Proposed LAMS system is transparent and can be used by both external contractor or in-house service provider</p> <p>Revised monitoring systems will increase opportunities for monitoring of performance by communities</p>	<p>Incentive for satisfactory levels of performance are financial where service is provided externally (i.e. paid by results, penalties / retention of payments for poor performance)</p> <p>Higher cost of monitoring and managing performance of external contractors will still apply to mixed service provision</p> <p>Proposed LAMS system is transparent and can be used by both external contractor or in-house service provider</p> <p>Revised monitoring systems will increase opportunities for monitoring of performance by communities</p>

Criteria	In house provision	Externalised provision	Mixed provision
<p>6. Developing capacity to provide support for, for example, communities, events and winter maintenance</p>	<p>Capacity can be developed within in-house team for</p> <ul style="list-style-type: none"> a. winter maintenance activities, b. roads maintenance, and c. refuse collection <p>within existing resources</p>	<p>Can be built in to any contract in terms of Corporate and Social Responsibility, or in contract specification. However, will carry a cost</p> <p>Contractor would be able to bring expertise from elsewhere within their organisation</p>	<p>Can be built in to any contract in terms of Corporate and Social Responsibility, or in contract specification. However, will carry a cost</p> <p>Contractor would be able to bring expertise from elsewhere within their organisation</p> <p>More difficult to develop capacity within in-house team for</p> <ul style="list-style-type: none"> a. winter maintenance activities, b. roads maintenance, and c. refuse collection <p>within existing resources</p>
<p>7. Alignment with the Council's localism agenda</p>	<p>Increased local control of services if delivered in house</p> <p>Opportunity to build on existing relationships with communities and Elected Members</p> <p>Reflect community monitoring of performance</p>	<p>Potential for reduced control of external contractor if services are outsourced</p> <p>Potential that lack of local knowledge and under developed relationships with communities and Elected Members will reduce contribution that contractor can make to localism agenda.</p>	<p>Potential for reduced control of external contractor if services are outsourced</p> <p>Potential that lack of local knowledge and under developed relationships with communities and Elected Members will reduce contribution that contractor can make to localism agenda.</p>

Name → Description →	Weight	Option 1 Completely insourced service			Option 2 Completely outsourced service			Option 3 mixed service (with a range of sub-options)		
		Score	Weight	Total	Score	Weight	Total	Score	Weight	Total
Criteria ↓										
Cost	5.0	9.8	5.0	49.0	10.0	5.0	50.0	9.8	5.0	49.0
Ability to Manage Risk	3.0	8.0	3.0	24.0	6.0	3.0	18.0	6.0	3.0	18.0
Flexibility of service in uncertain financial climate	3.0	8.0	3.0	24.0	4.0	3.0	12.0	5.0	3.0	15.0
Opportunities for income generation	3.0	6.0	3.0	18.0	4.0	3.0	12.0	5.0	3.0	15.0
Ability to Manage Performance	4.0	8.0	4.0	32.0	6.0	4.0	24.0	6.0	4.0	24.0
Management, front line and community capacity to provide core services and respond to incidents and events	4.0	8.0	4.0	32.0	7.0	4.0	28.0	7.5	4.0	30.0
Alignment with the Council's localism agenda	3.0	8.0	3.0	24.0	5.0	3.0	15.0	5.0	3.0	15.0
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Totals				203.0			159.0			166.0