

WIRRAL COUNCIL

CABINET – 22 JULY 2010

REPORT OF DIRECTOR OF TECHNICAL SERVICES

**PARKS AND COUNTRYSIDE SERVICE PROCUREMENT EXERCISE
(PACSPE) – OUTLINE BUSINESS CASE**

1.0 EXECUTIVE SUMMARY

- 1.1 This report asks members to consider the recommendations made by Capita Symonds in the Parks and Countryside Service Procurement Exercise (PACSPE) Outline Business Case Report. This includes the following services: - parks, golf courses, cemeteries and crematorium, rangers, beach lifeguards, allotments, maintenance of highway verges and trees and war memorials.
- 1.2 Members are asked to note the content of the Capita Symonds Outline Business Case report and approve the recommendation to progress with the Option 3 service delivery model (Total Service with Single Provider) and use of the restricted procurement procedure.
- 1.3 Members are also asked to endorse the creation of a new Parks Contract Manager post, subject to approval by Employment and Appointments Committee, funded from within existing resources. Also to approve the use of external consultant support on a time limited basis to assist with the procurement exercise and in particular the preparation of Invitation To Tender (ITT) documentation which it is recommended be initially met from the Efficiency Investment Budget.

2.0 BACKGROUND

- 2.1 At its meeting on 26 June 2008 (Minute 96 refers) Cabinet agreed that “A review of the Parks and Countryside Service be carried out using the Gateway Review process.
- 2.2 As detailed in a subsequent report to Cabinet on 5 February 2009 (Minute 356 refers): -
“The scope of the PACSPE includes all elements of the Department of Regeneration’s Parks and Countryside Service and also the Streetscene Services grounds maintenance contract which Cabinet agreed to extend to the end of March 2011 at its meeting on 23 January 2008 (Minute 463 refers)”.

The table shows the Gross budget (used by Capita Symonds), the adjusted budget which excludes internal adjustments regarding grounds maintenance costs and the Net budget which excludes income from charges for golf, cremations and other areas.

Parks and Open Spaces Review Area	Gross budgets	Gross Budgets minus recharges	Net Budgets
	£	£	£
Allotments	69,400	47,300	44,300
Beach Lifeguards	368,700	368,700	323,100
Birkenhead Park	604,800	587,100	548,600
Cemeteries and Crematoria	2,542,800	1,492,700	154,900
Golf	843,800	495,000	- 76,200
Parks & Open Spaces	7,552,400	7,388,200	5,074,200
Ranger Service	989,300	949,700	910,000
Highway verges	1,057,900	1,057,900	1,037,000
Public Open Spaces	114,100	114,100	102,200
Arboriculture	222,100	222,100	217,300
War Memorials	10,000	10,000	9,120
Technical Services Client	49,100	49,100	49,100
TOTAL	14,424,700	12,745,900	8,393,620

- 2.3 Capita Symonds were subsequently commissioned to complete an Outline Business Case for PACSPE. An Interim Business Case Report was considered by the PACSPE Members Group at its meeting on 15 July 2009.
- 2.4 At its meeting on 3 September 2009 Cabinet endorsed the PACSPE Members Group decision to ask Capita Symonds to provide a more detailed analysis of three procurement options for the Parks and Countryside Service (Minute 98 refers).
- 2.5 Capita Symonds subsequently carried out a more detailed “options appraisal” of the three procurement options and produced an Outline Business Case report setting out their recommendations. This report was updated in June 2010. The key elements of the report and the recommendations are summarised below.

3.0 OVERVIEW OF SERVICE DELIVERY OPTIONS

3.1 Assumptions

3.1.1 In order to assess the effect of the options over the same appraisal period, Capita Symonds assumed that contracts would be awarded for a period of 10 years. Based on current practices elsewhere in the market, this is considered to be an optimum medium-term period over which the stated qualitative and quantitative benefits described in the business case are most likely to be realised.

3.1.2 Capita Symonds' Outline Business Case Report sets out three service delivery options which are explained, along with the associated risks, in the following sections.

3.2 OPTION 1 - In-house plus External Support

3.2.1 Option 1 would involve the existing service delivery arrangements being largely maintained. In-house services would remain as they are and the existing separate Streetscene contracts would be re-tendered and modernised. As the current service delivery model, Option 1 maintains the status quo and acts as a benchmark against which the other two options in the business case can be compared. It is considered low risk.

3.2.2 The existing service delivery arrangements will need to be modernised to reflect some unavoidable change within the in-house service, supplemented by current conditions of contract, incentive mechanisms and continuous improvement methods.

3.2.3 The "unavoidable changes" within the in-house service are assumed to include:

- departmental restructuring and operational reorganisation within the Parks and Countryside Service;
- staff management and dealing with HR issues;
- asset rationalisation;
- machinery and equipment rationalisation;
- service delivery approach;
- staff training and development;
- staff reductions through natural wastage;
- elements of service transfer to others;
- increased collaboration with Streetscene; and
- Increase quality of service and engagement with stakeholders and users.

3.3 OPTION 2 - Separate Lots with Service Providers

3.3.1 Option 2 would involve services being divided by function into several different lots and delivered by external service providers. There could be as few as two lots; one for Parks and Countryside Services and one for Streetscene grounds maintenance. There could also be, for example, six

lots, with work separated by function into; urban parks, country parks, golf courses, beach lifeguard service, cemeteries and crematorium and Streetscene grounds maintenance.

Some existing strategic and administrative functions would be retained in-house but would need to be separated from the works delivery. This is a significantly higher risk option than 1 but with higher potential gains

3.4 OPTION 3 - Total Service with Single Provider

3.4.1 Option 3 goes a step further than Option 2 in transferring all services and most administration functions to a single contractor, who would be required to operate to a more sophisticated and strategic form of self-monitoring contract. The Council would retain a small team of staff to oversee and audit the new contract. This option allows the contractor to reduce the volume of administration and management and therefore increase efficiency and consistency. Customer complaints and queries could be dealt with via the Council's Call Centre and where appropriate passed to the contractor for attention. The client team would only deal with strategic issues or issues of non-compliance on the part of the contractor. This has a higher risk than Option 2 largely because of its size and the lack of comparable contracts for this type of work.

3.4.2 Option 3 is based on an integrated service delivery model as adopted within other industries and there are many external providers able to deliver the whole range of parks and countryside services on offer, either as a single organisation or with partners for specialist consultancy services and works.

4.0 PREDICTED EFFICIENCY SAVINGS

4.1 It must be recognised that the predicted efficiency savings, although based on experience from similar contracts are estimates and can only be truly confirmed when the resultant contract(s) are awarded and actual contract prices/ rates are confirmed. Consequently, the output of the quantitative appraisal focuses on a "base case scenario" of predicted efficiency savings, on gross figures for each of the three options:-

Efficiency Savings over 10 Year Contract Term	Option 1	Option 2	Option 3
Base Case Scenario	£2.081m (1.4%)	£5.449m (3.8%)	£7.841m (5.4%)
With Higher Efficiency Savings Achieved	£5.334m (3.7%)	£7.363m (5.1%)	£10.879m (7.5%)
With Lower Efficiency Savings Achieved	£0.44m (0.3%)	£2.539m (1.8%)	£4.022m (2.8%)

- 4.2 The figures produced by Capita Symonds are based upon the Gross budget as identified in section 2.2. If this is adjusted to reflect the Adjusted budget the potential savings will reduce and if the Net budget (excluding income) figure is used then the savings will be lower still.
- 4.3 From these figures it is clear that both Options 2 and 3 significantly outperform Option 1 and provide a compelling financial case for change. Furthermore, Option 3 based on a single strategic contract rather than a number of smaller more conventional contracts significantly out performs Option 2 on financial grounds.
- 4.4 These figures are benchmarked against comparable assumptions of 5.5% at Sefton Council, 6% at the London Borough of Hounslow, and circa 10% at Liverpool City Council, and as such are therefore reasonably conservative.
- 4.5 Improved efficiencies offered by Options 2 and 3 when compared to Option 1 will be derived from:
- improved quality of service and formalised performance management arrangements;
 - economies of scale – using superior purchasing power, market position and influence in wider region;
 - transferring best practices, innovations and efficiency gains from other contracts;
 - investing in safer and sustainable machinery, equipment, and technologies;
 - reduced management costs due to integrated delivery;
 - management economies internally within the Authority due to rationalisation and long-term contract commitments;
 - improved management of risk through suitable transfer strategies;
 - asset rationalisation and resource co-location;
 - staff development, recruitment and retention through reputation, partnership opportunities, expertise, shared skills base and strong brand; and
 - more flexible scheduling of service delivery without capacity constraints.

5.0 OUTLINE BUSINESS CASE RECOMMENDATIONS

- 5.1 Capita Symonds carried out a detailed qualitative appraisal of the three service delivery options, including a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis and a Risk analysis.
- 5.2 Capita Symonds concluded that Option 1 was a “low risk, low gain” solution. Capita Symonds highlighted that as it is so closely related to the existing service delivery model, the danger is that change will not happen at all or, if it does, it will be slow and small scale. Future potential for

significant improvement in service delivery and realising the Council's primary objectives is considered to be moderate at best.

- 5.3 Capita Symonds concluded that Options 2 and 3 offered significantly higher potential gains than Option 1, but also presented higher potential risks. Capita Symonds concluded that "providing associated risks can be managed effectively through the procurement process and during the life of the contract, both options offer tremendous opportunities to address the Authority's primary objectives and to introduce a step change in the future service delivery of Parks and Countryside Services at Wirral Council".
- 5.4 Option 3 offers greater potential than Option 2 for improvements in efficiency and consistency of service delivery, but it also carries a higher risk than Option 2. As Option 3 involves transferring all services to a single contractor, it is particularly important that the Council does everything possible to ensure that the procurement process selects the most appropriate contractor and that the contract arrangements are fit for purpose.
- 5.5 Capita Symonds produced an outline Benefits Realisation Plan which identified a range of potential benefits to be achieved from Option 3 under the headings of value for money, quality of service, community engagement and staff.

6.0 CONCLUSIONS

- 6.1 The PACSPE Members Group considered the main benefits they would want to achieve as: -
- Value for money/improved efficiency
 - Better maintenance standards/improved quality
 - Improved facilities/infrastructure
- 6.2 Other desirable benefits that have been identified by Members are as follows:-
- A closer working relationship with park users, friends and community groups/better community engagement
 - Conserve natural heritage/biodiversity/sustainability
 - Opportunities to improve community health and well-being
 - Better marketing of facilities
 - Better security in parks
 - The flexibility for aspects of decision-making in relation to service delivery and funding priorities to be delegated to local communities/ neighbourhoods (in accordance with the "localism" agenda)
 - The flexibility for the volume of work through the new contractual arrangement to be increased or reduced on a year-by-year basis dependent on levels of funding available;
 - A formal quality / performance management framework.

- 6.3 Preliminary discussions have been held with the Trade Unions and the Friends of Parks groups. The Chair of the Parks Partnership addressed the member's meeting in March where he stated that 'something needs to change and doing nothing is not an option.' A positive consultation and engagement with stakeholders, users and the Trade Unions will be a key area of work as we develop the ITT.
- 6.4 Capita Symonds concluded that service delivery Option 3 (Total Service with Single Provider) would potentially deliver the greatest potential savings and benefits to the Council. Whilst the preferred option this is the one that brings the greatest risk.
- 6.5 The Outline Business Case indicates that savings of 5-10% may be achieved based on similar exercises in other authorities. If greater savings are to be achieved then this will require the service specification to be reviewed and would be subject to further Member and public consultation.
- 6.6 Option 3 is also the preferred option previously and more recently agreed by the PACSPE Members Group.

7.0 TIMETABLE AND RESOURCES

- 7.1 The Capita Symonds report and the Director of Law, HR and Asset Management recommends the use of the Restricted Procedure which is effectively the traditional procurement process that has been developed over many years and is widely understood and used by public bodies. All interested parties may express an interest in tendering for the contract but only those meeting the contracting authority's pre-qualification selection criteria will actually be invited to do so. This enables the contracting authority to avoid having to deal with an overwhelmingly large number of tenders. It does rely on the contracting authority being able to clearly define the specification and requirements of its contract via robust Invitation to Tender documentation and Capita Symonds conclude that if the Council is able to "clearly define its aspirations" then this route should be used.
- 7.2 The financial model in Capita Symonds' Outline Business Case Report assumes upfront implementation costs of £140,000 for Option 1, £340,000 for Option 2 and £370,000 for Option 3, profiled over a 13month period between October 2010 and November 2011. To help minimise these costs, it is proposed that a new Parks Contract Manager post is created and filled as soon as possible to provide in-house expertise to take ownership and ensure the successful delivery of the procurement exercise and subsequently be responsible for managing the future contract. This cost of this post, including on costs would be around £50,000 per annum and can be accommodated by the use of existing vacancies within the service.

- 7.3 External consultant support will also be required to assist with the procurement exercise and in particular the preparation of Invitation To Tender (ITT) documentation and it is recommended that these be funded from the Efficiency Investment Budget initially up to a maximum of £150,000.
- 7.4 Depending on which service delivery option the Cabinet choose, Capita Symonds estimate that the minimum time it would take before contract commencement would be as follows: -

OPTION 1	10 months
OPTION 2	14 months
OPTION 3	15 months

This is based upon tendering against the existing service specification. If this was to be varied and the proposals then subject to Member and public consultation the time periods would increase.

- 7.5 Under the preferred Option 3, the cost of preparing an in-house bid for such a large scale and complex contract would be considerable and require additional consultancy support anticipated to cost in excess of £200,000. In addition to the cost and potential effect on market interest, significant difficulties would arise in relation to the management and governance of the procurement exercise. It would be very difficult to make the separation between client and bid team as the in-house “client” resource and expertise would be necessary to not only lead the procurement exercise but also to support a complex in-house bid.
- 7.6 The transfer of undertakings (protection of employment regulations) will apply to this contract. This means that the contracts of employment for all existing employees will be transferred to the new contractor/partner. This type of arrangement generally provides for better staff training, development and general opportunities for the workforce together with improved investment in machinery, plant and other contract delivery infrastructure.

8.0 GATEWAY 1 REVIEW AND ACTION PLAN

- 8.1 The Gateway 1 Review of PACSPE was undertaken on 29 and 30 September and 1 October 2009. This is the second Gateway Review to be undertaken of PACSPE. The purpose of a Gateway 1 Review is to confirm the Business Justification for the project.
- 8.2 PACSPE was assessed by the 4ps at Gateway 1 as “Amber” on a scale of Red/Amber/Green. This means that “successful delivery (of the project) appears feasible but significant issues already exists requiring management attention. These appear resolvable at this stage and if addressed promptly, should not present a cost/schedule overrun”.
- 8.3 In support of this assessment the 4ps made the following comments:-

“The Review Team finds that the Council has made good progress to date but is now at an important crossroads and needs to decide:-

- Whether the procurement will include asset renewal
- The form of its client side
- There is a need to make sure that particular stakeholders including the workforce, the unions and the users’ groups receive timely and appropriate information and consultation on the process”.

8.4 The 4ps also made 10 detailed recommendations. These were discussed by the PACSPE Members Group meeting on 28 October 2009 and actions put forward by the PACSPE Project Board were agreed in response to the recommendations (Minute 26 refers).

9.0 ISSUES REMAINING TO BE CONSIDERED

9.1 Assets

9.1.1 Wirral’s parks include approximately 200 buildings, including depots, visitor centres and football and bowls facilities as well as a number of listed historic buildings such as the Birkenhead Park Grand Entrance, Swiss Bridge and Roman Boathouse. Parks also include 70 children’s play areas in which the equipment has a limited life-span. There are also large amounts of paths, roads, car parks, walls, fences, lakes and ponds which require repairs and replacement. Cabinet agreed at their meeting of 24 June 2010 that “consultation would be undertaken on the rearrangement of all asset management responsibilities relating to the cultural assets of the Council’s Leisure Estate to the Law, HR and Asset Management Directorate”. A decision will be required as to whether any or part of the buildings and infrastructure in Parks, Cemeteries and Golf Courses is included in the scope of this procurement exercise.

9.1.2 Whilst a decision on whether assets are to be included has still to be taken Cabinet on 14 January 2010 agreed a programme of investment in Cultural facilities over 3 years including football pitches, play areas, golf courses, cemeteries, footpaths, allotments and improvements to parks.

9.2 Income

9.2.1 The services within the scope of this procurement exercise, particularly golf courses and cemeteries and crematorium, generate substantial sums of income for the authority. At this stage no decision has been made as to whether the collection and retention of this income should be included or excluded from any potential contract.

9.3 Client Team

- 9.3.1 The final client requirements will be dependant on the option selected and what is finally included in the scope of the contract, Capita Symonds recommend that under Option 3 most of the administration and management functions are the responsibility of the contractor.

9.4 Specification

- 9.4.1 As has been identified in this report the assumptions and projected efficiencies are based upon the existing service specification. In view of the financial pressures being faced by the Council this may require this specification to be reviewed. If this was to be the case this would involve further Member consultation and may impact upon the procurement timetable.

10.0 NEXT STEPS

- 10.1 When Cabinet has provided recommendations on the way forward the Project plan for the procurement exercise will be refined and updated. This will include reviews of the existing communications and consultation plans and the project risk register. These will be then be considered by the PACSPE Members Group.

11.0 FINANCIAL IMPLICATIONS

- 11.1 Capita Symonds have identified the relative savings likely to be achieved from the three service delivery options. These are detailed in section 3.6. The implementation costs vary and are set out in 4.2.
- 11.2 There is an allocation of £2,350,000 in the capital programme for the period from 2010/11 to 2012/13 for improvements to parks, golf courses, allotments, football pitches, play areas and cemeteries; £2.5 million in 2011/12 and 2012/13 for sports pavilions and a further £1 million in 2011/12 and 2012/13 for park refurbishment work.

12.0 STAFFING IMPLICATIONS

- 12.1 Service delivery Options 2 and 3 could involve the transfer of approximately 230 full-time equivalent staff to one or more partner organisations. Preliminary discussions have been held with the Trade Unions and they have been kept informed of progress to date. Further consultation will be undertaken once an Option has been agreed by Cabinet.
- 12.2 The Transfer of Undertakings (Protection of Employment) Regulations will apply if members agree to offer this work for tender. This means that the contracts of employment for all employees who are transferred will automatically transfer to the new employer.
- 12.3 Overall management arrangements will need to be determined to develop a lean client function. It is envisaged the early creation of a

Contracts Manager post would assist overseeing the procurement process and more importantly overseeing the mobilisation phase of the project. This post could be funded from within the existing establishment due to a number of posts being held vacant. The person specification and job description needs to be developed and approved by the Employments and Appointments Committee.

13.0 EQUAL OPPORTUNITIES IMPLICATIONS

13.1 It is recommended that an equality impact assessment be carried out once the preferred option has been agreed and work started on the Invitation to Tender.

14.0 PLANNING IMPLICATIONS

14.1 There are no direct implications under this heading.

15.0 COMMUNITY SAFETY IMPLICATIONS

15.1 Well managed and maintained parks and open spaces make a positive contribution to community safety objectives.

16.0 HUMAN RIGHTS IMPLICATIONS

16.1 There are no direct implications under this heading.

17.0 LOCAL AGENDA 21 IMPLICATIONS

17.1 There are no direct implications under this heading.

18.0 SOCIAL INCLUSION IMPLICATIONS

18.1 There are no direct implications under this heading.

19.0 ANTI-POVERTY IMPLICATIONS

19.1 There are no direct implications under this heading.

20.0 ACCESS TO INFORMATION ACT

20.1 The Capita Symonds Outline Business Case Report (June 2010) was used in the preparation of this report. The report contains commercially sensitive information in relation to the future procurement exercise and has been classed as Exempt Information under Paragraph 3 Schedule 12A Local Government Act 1972.

20.2 The 4Ps Gateway Review 1 – Business Justification Report (Version 1.3 Final) dated 1st October was also used in the preparation of this report.

21.0 LOCAL MEMBER SUPPORT IMPLICATIONS

21.1 The Parks and Countryside Services procurement exercise affects all Wards.

22.0 RECOMMENDATIONS

22.1 Cabinet is requested to:

- (1) Note the content of the Capita Symonds Outline Business Case report and approve the recommendation to progress with the Option 3 service delivery model (Total Service with Single Provider) using the Restricted procurement procedure;
- (2) Endorse the creation of a new Parks Contract Manager post, subject to approval by Employment & Appointments Committee, funded from within existing resources. Also to approve the use of external consultant support on a time limited basis to assist with the procurement exercise and in particular the preparation of Invitation To Tender (ITT) documentation which it is recommended be met from the Efficiency Investment Budget initially up to a maximum of £150,000.
- (3) For the reasons stated in paragraph 7.5 Cabinet does not support an “in-house bid” for the subsequent PACSPE Contract.

DAVID GREEN
DIRECTOR OF TECHNICAL SERVICES

This report was prepared by Jim Lester who can be contacted on 666 4725