

**BOARD MEETING
31 July 2012**

Date of Report:	31 st July 2012
Title:	Grounds Maintenance Services
Purpose of the report:	The report outlines the options available for the delivery of grounds maintenance services.
Prepared by: Presented by:	Tim Keogh Tim Keogh
Status:	For Decision
Summary and Recommendation:	Board members are requested to approve option 3/3a to deliver grounds maintenance services through an in-house delivery team.
Financial and VFM Implications:	The move to self delivery will result in a reduction of the cost of the delivery of the service and a reduction in service charges to residents.
Resident Consultation/Feedback:	Consultation with HFTRA Exec has resulted in support for option 3/3a.
LBH considerations:	Lead Member is aware of our proposal and if approved by HH then approval will be sought from LBH
Risk Implications (cross reference to risk register):	See Risk analysis within report
Equality and Diversity Implications:	Positive impact in terms of Equality and Diversity in employment for any transferees
Responsible for Implementation:	Director of Property Services

1.0 Recommendation

- 1.1 The Board approve option 3/3a as set out below and Hounslow Homes start negotiations to transfer the Pinnacle and Sodexo staff over to HH and establish an in-house Grounds Maintenance team.

2.0 Grounds Maintenance:

We currently have contracts with two Grounds Maintenance Contractors, Sodexo in the West of the Borough and Pinnacle in the East.

The contracts came to an end on 31st March 2012 and the HH Finance Sub Committee granted a waiver to extend the contracts to 31st December 2012 to (a) look at the option of taking the service in house or (b) to give sufficient time to undertake a full EU compliant tender as the procurement project had been delayed due to various reasons.

3.0 Options for delivery of service :

The options that are available for the delivery of this work stream are as follows:

Option 1

To tender for 2 Contracts as per the current arrangement, two Contractors would cover the Grounds Maintenance for separate allocated areas within Hounslow.

Both contracts could be for periods of ten years with a break Clause after three years.

The current value of the 2 contracts is approx £900k equating to a £9M contract if it, as suggested is let for 10 years.

HFTRA have previously expressed a preference to remain with the current structure, however this is likely to add to the costs of the contract.

One of the concerns expressed includes the loss of a good service if this is tendered as one Contract. However, it must

be stressed that there is no assurance after the tendering process that the same Contractor(s) will win the tender.

These concerns may be addressed as TUPE will apply and it is likely that many of the same staff will be employed on the new contract, continuing the relationships built up over the course of this contract.

Option 2

To replace the existing 2 Contracts with one Contract again the Contract would be for ten years with a break Clause after three years.

The advantage of this option is that contract cost is to be lower due to a reduction in management costs, the costs associated with running a depot, vehicles, depreciation on tools etc.

Considerable procurement savings would also be made in evaluating, awarding and setting up the contract as the associated management time and legal costs will be lower to set up one contract only.

Internal savings will be made through a reduction in contract meetings (freeing up staff and management time), better contract management and an increase in the accuracy of Service Charge and leaseholder Billing.

The options table below sets out the indicative costs option 2. These are based on the Operative costs for Sodexo & Pinnacle plus 2X the management costs currently adopted by Sodexo. Added to that amount is the residual figure taken from the current 900k per annum contract costs.

Current contract	£9,000,000
Less known operative & Mangt	
Costs of Pinnacle & Sodexo	<u>£4,709,936</u>
	£4,290,064
Plus unknown costs of current	
Contract costs	<u>£4,138,972</u>
Total	<u>£8,429,036</u>

Option 3

To transfer the Pinnacle and Sodexo staff to Hounslow Homes and establish an in-house Grounds Maintenance team.

Under the existing arrangement with Pinnacle the delivery teams consist of the following:

Job Title	Contract Type	Employee Salary	Bonus
Team Manager - Estate Services	Permanent	24,351.43	1,250.00
Area Manager	Permanent	40,000.00	5,000.00
Charge Hand	Permanent	23,275.00	250.00
Team Leader	Permanent	17,000.00	250.00
Gardener	Permanent	20,878.00	250.00
Gardener	Permanent	16,483.60	250.00
Gardener	Permanent	16,483.60	250.00
Gardener	Permanent	18,028.94	250.00
Gardener	Permanent	16,240.00	250.00
Gardener	Permanent	16,000.00	250.00
Gardener	Permanent	15,000.00	250.00
Gardener	Fixed Term	15,000.00	250.00
Gardener	Fixed Term	15,000.00	250.00
	Total	253,740.57	9,000.00

Based on the information provided HH is paying Pinnacle £111,376.00 to provide a management/supervisory team of 4 permanently employed staff.

Under the existing arrangements with Sodexo the delivery teams consist of the following:

Job title	Contract Type	Employee Salary
Maintenance Supervisor	Permanent	21,320.00
Business Manager	Permanent	32,960.00
Grounds Maintenance	Permanent	14,795.56
Grounds Maintenance	Permanent	15,392.00
Grounds Maintenance	Permanent	20,875.40
Grounds Maintenance	Permanent	20,202.00
Grounds Maintenance	Permanent	20,202.00
Grounds Maintenance	Permanent	14,795.56
Grounds Maintenance	Permanent	14,430.00
Operative	Permanent	13,910.52
Operative	Permanent	14,430.00
Apprentice	Permanent	4,940.00
	Total	£208,253.04

Based on the information provided HH is paying Sodexo £54,280.00 to provide a management/supervisory team of 2 permanently employed staff.

The total management supervisory cost is therefore £166k and the direct works labour costs are £305k. (19 operatives/gardeners/groundsmen)

An analysis of the fleet, plant and equipment required to deliver the service has been undertaken and the initial purchase costs would be approx £104k which would then due to varying life expectancies of the plant and equipment result in an overall cost to the contract of £590k over a 10 year period.

In addition we are currently paying both Pinnacle and Sodexo to rent sites to provide facilities to enable them to manage the contract. If we were to take the service in house we would only need to rent one location and potentiall going forward if we were to move to Green Lanes we could accommodate the grounds maintenance team within that depot. However in the interim we have the capacity to locate the Grounds Maintenance team in Trimmer Walk at no cost.

Option 3a

In reality to manage a total of 19 gardeners does not require such a large and expensive management team and if HH was to self deliver then it is felt that this number of gardeners could be reduced to potentially 16 in total with 1 manager/supervisor and that supervision could be resourced possibly out of our existing HH structures.

	Option 1 (based on current arrangement)	Option 2 (single supplier – data based Sodexo current costs)	Option 3 (based on self delivery and full TUPE)	Option 3a (based on self delivery and reduced TUPE)
Management Costs/annum	inc	108,560	166,000	40,000
Operative costs/annum	inc	305,000	305,000	256,842
Additional cost of London Living Wage/annum	Inc	Inc	12,402	12,402
Fleet/Plant Costs/annum	inc	inc	59,002	59,002
On costs (23%)/annum	Inc	Inc	111,181	71,126
Premises costs	inc	inc	inc	Inc
Waste £13k plus Contingency	Inc	Inc	15,000	15,000
One off Redundancy Costs- manager	N/A	N/A	N/A	28,625
Redundancy Costs gardeners	N/A	N/A	N/A	15,000
Total cost of 10yr Contract	£9,000,000	£8,429,036	£6,685,788	£4,587,318

Fleet, Plant & Equipment:

	Life expectancy	No	Cost per item	Year 1 cost	No of replacements during contract	Total cost
Flat Bed Vans	5 years	4	5000	20000	10	200000
Parking Permits	1 year	4	120	480	10	4800
Fuel	N/A	N/A	N/A	16000	10	160000
Trailers	5 years	4	2798	11192	1	22384
Ride on Mowers	5 years	4	10000	40000	1	80000
Pedestrian Mowers	2 years	4	665	2660	5	13300
Strimmers	2 years	4	374	1496	5	7480
Hedge Trimmers	2 years	4	387	1548	5	7740
Cable & Pipe locators	5 years	4	341	1364	2	2728
Grass Blowers	2 years	4	208	832	5	4160
Uniforms	1year	19	197	3743	10	37430
Plant Mtce	N/A	N/A	N/A	5000	10	50000
				104,315		590,022

4.0 Current Market

Based on information received from another Housing Organisation that has recently tendered their Grounds Maintenance contract and applying their tendered rates to our grounds maintenance schedules would result in a contract value of £1.6m/annum

We have approximately 13800 units that benefit from the current grounds maintenance service and according to Housemark data the median cost per unit receiving a Grounds Maintenance Service was £59.92 in 2010/11, this would equate to a HH cost of £830k/annum however the vast majority of Housing Providers deliver this service through external providers.

Therefore the above information supports the recommended approach of delivering the service through an in-house delivery team which will result in significant reduction in costs.

5.0 TUPE:

Pinnacle have 9 Gardeners, 1 charge hand, a team leader, a team manager and an area manager.

Sodexo have 9 staff, 1 apprentice, 1 supervisor and 1 business manager.

The TUPE test is whether staff are considered to be "assigned" to the contract. They do not have to be fully assigned and there are no rules on the percentage of time spent on the contract but more than 50% would seem logical.

Hounslow Homes will determine what percentage of their time are the Team Manager and the Area Manager (Pinnacle) and the Business Manager (Sodexo) "assigned" to this contract and what evidence can they provide to support this claim through negotiations with the respective suppliers.

6.0 HR Comment

The TUPE (Transfer of Undertakings, Protection of Employment) regulations will apply regardless of the option chosen regarding this contract.

The current contractors are claiming that a total of 25 staff are currently “assigned” to these contracts including high percentage of management/supervisory staff. Hounslow Homes will attempt to negotiate these numbers down but may not be successful and up to 25 staff will therefore transfer to Hounslow Homes from 1.1.13 on protected terms and conditions.

In fact, those terms and conditions will be enhanced through the offer of membership of the LGPS. Hounslow Homes are also committed to a base pay rate of £ 8.30 per hour, the current level of the London Living Wage, which will represent a small increase in pay for some of the transferring staff.

7.0 Finance Comment R1439

The existing ground maintenance contracts end 31st March 2012 and a desktop review of the options available has been undertaken in order to determine which would provide best value for money.

- Option 1 –Tender the contracts under the current arrangements. 2010/11 benchmarking data and a 2011/12 sample indicates potential cost may be between £1.6m to £830k per year (plus administrative costs). Total savings to be made is undetermined.
- Option 2 – Tender as one contract borough wide. Using our existing supplier’s costing it has been estimated that the cost could be £8.4m and savings of £571k over 10 years.
- Option 3 – TUPE existing staff into Hounslow Homes (HH). Self delivery is estimated to cost £6.7m and savings of £2.3m over 10 years.

- Options 3a – TUPE in to HH & Restructure. Self delivery under this model is estimated to cost £4.6m and savings of £4.4m over 10 years. The savings are made of £906k staff costs, £1.7m indirect costs and estimated £1.8m profit generated by third party (circ 20%).

Based on the evidence available Option 3a appears to provide the greatest savings. Terms & conditions and redundancy costs owing to the proposed restructure are to be determined, however estimates have been factored into the model and significant adjustments are not expected. The nature of the work is similar to other services provided by HH and therefore a contingency of only £20k over 10 years (for sundry items incl. herbicide) has been included as the project is deemed to be low risk.

8.0 Legal

If Hounslow Homes were to decide to enter into an agreement with an external provider for a period for more than 1 year this would be considered to be a Qualifying Long Term Agreement (QLTA) and to enable us to recover all our costs we would have to consult with Leaseholders.

We have received legal advice that the proposed arrangement is not a Qualifying Long Term Arrangement for the purposes of The Service Charges (Consultation Requirements) England Regulations 2003. This is because the type of Management Agreement with the Council is expressly exempted under the Regulations and Hounslow Homes internal arrangements to deliver the service through the DLO is not itself an Agreement for the purposes of the Regulations.

9.0 Equality and Diversity implications

Any transferring staff will benefit from Hounslow Homes well established commitment to Equality and Diversity in employment.

<u>RISK ANALYSIS</u>						
No	Risk description	Inherent risk score	Risk owner	Controls in place	Residual risk score	Further actions required
1	Failure to get agreement from HH Board resulting in delay.	5	TK	HH Board approval on 31/7/12 allows 5 months to negotiate with existing suppliers. SMT & HFTRA in support of initiative.	1	Complete report for SMT approval 11/07/12. Circulate report to board members 24/07/12
2	Failure to complete the TUPE transfer on time resulting in delay and inability to deliver service	12	TK/GS	Process to commence once HH Board Approval achieved. Timeline to be established with milestones and key dates.	6	Inform contractors of board decision August 2012, determine whether or not contractors consider TUPE applies, commence negotiations with contractors if TUPE applies, commence recruitment process if TUPE doesn't apply.
3	Capability and competency of existing HH Property & Operations staff at a time of restructure and low morale to manage and deal with TUPE Staff.	16	MT	HH Property Services Mang't team have experience of dealing with TUPE staff through the C&B Contract. Restructuring Recruitment to be completed by end of August 2012	3	Arrange and prepare staff meetings. Provide clear concise information to both TUPE'd staff and existing Management team
4	TUPE'd staff – low morale due to change to employment circumstances	16	TK/MT	Self delivery by HH will result in TUPE'd staff working on the Grounds Mtce contract for the remainder of the HH/LBH Mangt agreement. LGPS if adopted will improve TUPE'd staff T&C's.	2	Explain to TUPE'd staff the benefits and security of transferring to HH.

5	Failure to procure the right machinery in timely manner at the most competitive prices	4	MT	Research has been carried out to identify the most appropriate type of machinery required for these works. Specifications have been compared and prices & availability have been obtained.	1	Orders will need to be placed before the end of August to ensure delivery before December 2012
6	Failure of plant and equipment earlier than predicted life expectancy	5	MT/ Plant co-ordinator	Good quality equipment purchased initially and regular plant maintenance allowed for with budgetary allowances included.	2	Inspection and planned maintenance regime to be put in place.

