

EAST HERTS COUNCIL

OVERVIEW AND SCRUTINY: 20 FEBRUARY 2018

REPORT BY CHAIR OF THE GROUNDS MAINTENANCE TASK AND
FINISH GROUP

UPDATE REPORT FROM THE GROUNDS MAINTENANCE CONTRACT
TASK AND FINISH GROUP

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- To report the interim findings of the Grounds Maintenance (GM) Contract Task & Finish Group following consideration and reflection of the advice outlined by the industry consultant
- To highlight areas which require for further investigation.

RECOMMENDATIONS FOR OVERVIEW AND SCRUTINY:

(A)	To note that the Council proceeds to procure a new contract for the provision of grounds maintenance services with a Competitive Procedure with Negotiation as the preferred procurement approach;
(B)	To note and provide comments on the key areas of work explored by the T&F Group including: <ul style="list-style-type: none">• Price• Quality• The rationalisation of litter and dog waste bins• County "top up" arrangements• Other Considerations as highlighted in para 4; and
(C)	the T&F Group schedule additional meetings to consider

further advice and evidence from the consultant, and submit a final report to Overview and Scrutiny Committee in June 2018

1 Introduction

- 1.0 The Council's grounds maintenance contract is due to be re-tendered, with a commencement date of 1st January 2020. The Task and Finish Group was set up to explore a range of areas to help shape the contract specification. This has included exploring current performance and considering contract delivery options and procurement arrangements. The aim is to define a style of contract and procurement method that meets the changing needs of the district for the next 5+ years.
- 1.1 The Group found that this is a complex journey requiring a wide variety of evidence and in-depth analysis. They are confident that there is a sufficient amount of time to move forward with the pre tender preparation whilst some decisions relating to the finer detail of how the contract is tendered and the specification is shaped will require further investigation before setting criteria and making final recommendations.
- 1.2 This report explains findings to date and supports the current recommendations. It will outline further steps which need to be taken and what evidence is required.

2 Background

- 2.0 The Council manages approximately 120 open spaces including 40 parks along with a proliferation of smaller highway and residential grass and shrub plots. An unusual feature of East Herts Council's land ownership is a responsibility for many small plots of land in some housing estates which has arisen from previous housing management and highway maintenance functions no longer in operation.

2.1 The current Grounds Maintenance Contract is delivered by John O'Conner (GM) Ltd and was let for a period of 6 years and nine months. It was extended in December 2013 for a further five (5) years and terminates in December 2019.

The contract covers the majority of routine grounds maintenance work on East Herts Council's land including:

- the care of grassed areas including ornamental fine turf, sports facilities including bowling greens, sports pitches and tennis courts.
- amenity grass areas
- hedge maintenance
- shrub bed maintenance
- planting and maintenance of annual bedding schemes
- maintenance and inspection ditches, ponds, watercourses, weed control, cleansing of paths, car parks and internal roads on open spaces
- maintenance and inspection of children's play areas and equipment

2.2 Grass cutting, shrub and hedge maintenance is currently carried out on highway verges, under an agreement with the County Council).

2.3 In addition, EHC carries out the grounds maintenance function of social housing estates on behalf of a local Housing Association. Network Housing (a registered social landlord) has advised the Council that they are currently developing a tender specification and seeking to consolidate their contracts and re-tender for a separate grounds contract across their wider portfolio with an aim to award for commencement on 1st July 2018.

2.4 The current contract value is approximately £1.2 million per annum.

2.5 The aim of the Task & Finish Group was to allow Members to discuss and agree proposals for a new grounds maintenance, contributing to the following outcomes:

- 2.5.1 a contract (and therefore a grounds maintenance service) that is fit for purpose and which reflects the changing nature of our communities.
 - 2.5.2 a service that provides East Herts residents with value for money.
 - 2.5.3 evidence based recommendations that will inform the Executive decision regarding the specification and re-tender of the grounds maintenance contract.
- 2.6 The Council has appointed consultants to provide professional and industry appropriate guidance and to:
- 2.6.1 Carry out an independent review of current performance standards
 - 2.6.2 Advise on procurement routes to market and contract style
 - 2.6.3 Carry out marketing test and provide an indication of cost implications
 - 2.6.4 Explore service delivery options including:
 - Top-up arrangements with County
 - Maintenance of County roundabouts
 - Future chemical weed control implications
 - Opportunities to expand or rationalise operations to maximise current resources
 - 2.6.5 Support members of the T&F group by providing evidence to inform recommendations.

3 Report

- 3.0 The full report providing advice from the consultants to inform Member decisions at this stage can be found within **Essential Reference Paper B**.
- 3.1 Officers have provided the T&F Group with information at three meetings with support from the consultants, these are summarised below:

16 November 2017

- A background to the history of the grounds service
- A description of the scope of the contract
- Exploration of the type of evidence which may be required to explore decisions
- What the contract includes and excludes
- Outline of costs and quantities
- Principles relating to current procurement style and available options
- Outline of quality standards
- Exploration of the operational output and constraints
- Details of continuous improvement by the contractor
- Contract compliance and enforcement
- Financial considerations

19 December 2017

- Introduction to consultants and their qualifications to provide evidence
- Evidence to be gathered including market rates, assessment of existing contract and types of contracts available
- Challenges including view from prospective tenderers, County verges and balancing customer satisfaction; quality performance; and economic service delivery

30 January 2018

- Findings to date including officer interviews, review of contract documents, standards currently achieved, introduction to pricing comparison work
- Introduction to completed report themes; contract position, outline procurement plan for the contract, cost review exercise, what the costings for the new contract mean in terms of resources
- Current market for grounds maintenance procurement
- Current standards achieved
- Project risks

3.2 The findings at this initial stage of analysis will be covered in the

main section of this report.

Re-tendering options

3.3 It is clear from the consultant's evidence gathering that it would not be appropriate under procurement regulations to commit to any further extension of the grounds contract. A clear decision can therefore be made to proceed to procure a new contract for the provision of grounds maintenance services. The contract provides a high profile service to the public which can result in a high level of complaint if not delivered effectively. An effective grounds maintenance contract contributes directly to the delivery of high quality parks and open spaces which provide opportunity for health and well-being initiatives and activities.

3.4 The choice of procurement methods are provided in the summary table below.

	Benefits	Disadvantages
Restricted Procedure	<ul style="list-style-type: none">• Often considered to be the simplest of the procurement procedures• Potential providers required to pre-qualify for inclusion in the process based on their ability to undertake the contract, and then asked to submit a tender in response to the Council's Specification• The Council clarifies queries with the tenderers• Often less resource-intensive than the	<ul style="list-style-type: none">• No meetings with potential suppliers during the procurement• No negotiation• Does not allow for any refining of requirements once the documents have been issued• The Council would need make decisions in advance of procurement

	other processes	
The Open Procedure	<ul style="list-style-type: none"> No pre-qualification, meaning that any aspiring provider could submit a tender, which would then need to be assessed against the Council's evaluation model. 	<ul style="list-style-type: none"> Potential providers would be required to submit tenders in response to documents describing the Council's precise requirements No opportunity for meetings/dialogue, could result in a large number of tenders, or tenders from companies that are not capable of undertaking a contract of this nature due to no pre-qualification process
Competitive Dialogue Procedure	<ul style="list-style-type: none"> Enables the authority to dialogue with potential suppliers, using a staged process in order to refine its requirements. Useful if the Council is unclear as to the specifics of the services it wishes to procure, or if significant market expertise is required to narrow the range of service delivery options 	<ul style="list-style-type: none"> The staged approach results in a number of submission stages which require evaluation, and deselection of tenderers is common at each stage. Therefore can be resource-intensive and also can take significantly more time than other procedures
Competitive Procedure	<ul style="list-style-type: none"> Currently being used to procure a number 	<ul style="list-style-type: none"> Relatively new procedure

with Negotiation	of similar contracts- tried and tested method <ul style="list-style-type: none"> • Enables procuring authorities to engage with suppliers before finally awarding a contract • Pre-qualification required • Incorporates some of the benefits from CD and restricted process 	
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3.5 On balance, CPN would enable the Council to receive tenders which could include a small number of provisional items and options, which would then be discarded or taken up for final tenders. Given the complex nature of some of the decision required, the members of the task and finish group felt that more time and information was required prior to making recommendations/decisions on specifics areas (as described in para 3.31) it is recommended that the Competitive Procedure with Negotiation approach is used for the this procurement.

3.6 Members are therefore asked to note that:

The Council proceeds to procure a new contract for the provision of grounds maintenance services with a Competitive Procedure with Negotiation as the preferred procurement approach

Price

3.7 The consultants have assessed the current financial position and have estimated the potential cost of the retendered contract. As with any cost estimation exercise, they advise that their estimates include some interpretation of the current markets, to generate rates which are representative for the Council. Also that the bidding market is constantly changing, and can be impacted by factors such as the amount of work on the market at the time of procurement, the attractiveness of

individual tenders, price factors (fuel, labour etc.) and the process being used by the Council to procure a contract. The estimates must therefore be treated with an appropriate degree of caution.

- 3.8 Based on their interpretation of the frequencies, and their understanding of the market for these services; they would expect the routine services to cost the Council an additional £150k per annum against the current budget allocation.
- 3.9 There are a number of reasons this could be the case including:
 - 3.9.1 Contract Age
 - 3.9.2 Pensions
 - 3.9.3 Living Wage
 - 3.9.4 Contract management
 - 3.9.5 Surety of work
- 3.10 In a competitive process, some contractors will be keener than others to win the contract and would be expected to tender accordingly. It is important to note that at this stage of the process it is not possible to know what the actual cost of the contract will be until evaluation of tender submissions.

Quality

- 3.11 To assess the quality of grounds maintenance currently being delivered, observations across a selection of parks and open spaces were made independently by the consultant providing an accurate snapshot of the current situation with regard to grounds maintenance at the locations visited, as well as a useful picture of general performance.
- 3.12 Particular attention was paid to areas in Hertford, Ware, Bishops Stortford and Sawbridgeworth. The grounds maintenance inspection included but was not limited to, playgrounds, sports pitches, grass cutting (in particular on verges), hedges and shrub maintenance.

- 3.13 Consultants concluded that grounds maintenance in East Hertfordshire is on the most part to a very high standard. Of the grass observed all seemed to be cut to a satisfactory height and no evidence of shredded litter was found suggesting that appropriate measures are in place to litter pick before cutting.
- 3.14 Sports pitches were at a very good standard for this time of year and season. Pitch markings were clear, grass coverage was sufficient and it was evident that maintenance was on-going to rectify areas where grass coverage was wearing and ensure the surfaces stayed playable.
- 3.15 Generally, the playgrounds were well maintained; small improvements could be made through re-painting some pieces of play equipment, graffiti removal and maintenance to some areas of rubber matting.
- 3.16 Hedge and shrub maintenance was very good across the district with very few instances of unkempt or overgrown vegetation observed. There were also plenty of noteworthy examples where hedge and shrub maintenance was excellent.
- 3.17 There were a few sites where litter accumulations were observed but this was not widespread across the district and was mostly restricted to difficult to reach areas such as waterway banks, amongst hedges and vegetation and to corners of parks and open spaces which are out of view from the main pathways used by the public. It was however noted that there are what seems sufficient litter bins available and in many instances litter bins have a separate dog fouling bin within close proximity.

The rationalisation of dog and litter bins

- 3.18 This finding and the potential increase in contract costs led to some discussions within the group about the potential rationalisation for the provision of litter and dog bins. Currently the Council places litter and dog bins next to each other in most

locations. Legislation changes mean that these facilities could be combined for the new contract, not necessarily in every location, but perhaps in some places. The consultant's cost estimation exercise has shown that the items covering litter bins and dog bins, could be expected to increase significantly for the new contract, as current unit rates are significantly more than the existing rates; so it is important to review this provision prior to procurement. The consultants also note from existing round sheets that it seems that most dog bins are half full when they are serviced; this would suggest that a degree of amalgamation is a possibility, or reducing the frequency of emptying.

- 3.19 The advice provided at this stage has resulted in the T&F Group seeking more detailed evidence from officers and consultants to inform the Overview & Scrutiny Committee at a further meeting in June 2018.

The County "top up" arrangement

- 3.20 The County Council operates a complex service to maintain the highway network by setting priorities which focus funds accordingly. Their approach to highway maintenance is to deliver services on a risk based approach, thus committing to cut their grass and prune their shrubs only when necessary to minimise the risk of injury on the highway.
- 3.21 East Herts Council have for many years (over 15yrs), chosen to maintain highway verges on behalf of the County to its own higher standard which provides a more tidy and consistent appearance across the District. As County have only been prepared to fund this work to the amount that it would otherwise cost them to maintain to their "safety" standard, this has resulted in the District Council paying the difference; "topping up" the service. That injection of funds is currently £114,000 per annum.

- 3.22 Given that the Council is embarking on its financial sustainability agenda and that this contract could require additional revenue funding to maintain the County's highway verges, savings could potentially be achieved by no longer funding any "top up" arrangements with the County Council.
- 3.23 The District Council could offer to continue maintaining County verges to a standard consistent with those set for East Herts Council owned land but at the full tendered cost. If County were prepared to pay this full cost there would be no need for a supplementary injection of funds from the District Council.
- 3.24 Officers, with guidance from the consultants will engage with the County to discuss such an option, along with any other potential variation to the current agreement. The County Council would need to decide whether they wish to take advantage of the economies of scale achieved through a significantly sized grounds contract set to deliver this enhanced "tidy" standard or not.
- 3.25 The Group have explored how the Council could respond should the County Council not be prepared to fund the full cost of maintaining their verges to the "tidy" standard. The District Council may decide to no longer fund this enhanced service leaving the County to make their own arrangements to maintain their verges to a lesser standard.
- 3.26 In this scenario, County would keep grass and shrubs to a height that is considered safe sight lines. It is anticipated that grass would be cut far less frequently to the current programme.
- 3.27 There are risks to the Council of deciding not to continue "topping up" the service. There could be a very high level of complaints from residents who currently approach the Council with all highway verge enquires. It would require resources to manage public expectation. Whilst our call centre teams would explain to the public that East Herts Council were no longer

responsible for grass cutting, shrub pruning or hedge cutting on the highway, it could take many months to deliver this message effectively. The Council would of course look at cost effective ways to deal with this issue.

- 3.28 A potentially desirable outcome would be that grass verges, cut far less frequently might offer greater opportunity for species diversity. Verges could contain more colour from weeds and wild flowers and a habitat more conducive to insect populations, reflecting the “rural” nature of some parts of the District.
- 3.29 The agency agreement currently includes chemical control of weeds on pavements on behalf of the County which funds this at full cost. However, there would be little benefit to East Herts Council in continuing to provide this service in isolation. Customer expectation would need to include an acceptance that standards of pavement maintenance may also fall if County are not minded to deliver this service with their own contractor or if they chose to cut costs by reducing the standard with less chemical applications.
- 3.30 The removal of highway maintenance from the grounds contract would have an effect on the overall value of the contract which could result in higher costs from diminished economies of scale. This will be quantified during soft market testing and again during the procurement process.
- 3.31 Given the potentially contentious nature of these elements (HCC top up) and the exploration of the rationalisation of dog and litter bins, the T&F Group would value the assistance of the Overview and Scrutiny Committee to explore the Group’s findings to date and provide comments on areas where more information may be required to support the development of recommendations to the Executive.

4.0 Other Considerations

Satisfaction levels

- 4.1 The Council's most recent public satisfaction survey (2013) found that 76% of residents surveyed were satisfied with their parks and open spaces. Only 10% of residents thought that parks and open spaces most need improving. The Council's objective to enhance the quality of people's lives states that we want to see attractive places. The grounds contract provides crucial input into this aspiration.

Hartham Bowling Green

- 4.2 When requesting the development of the task and finish group the future maintenance regime for the bowling green at Hartham Common was a consideration. This is no longer an issue for consideration. The Council has negotiated an agreement with the club for them to take on maintenance of the green to be funded through their own income stream. Green maintenance will therefore be omitted from the grounds contract. The value of this work is not significant to the overall price of the contract.

County Roundabouts

- 4.3 Enhanced maintenance to County roundabouts which are funded through a separate sponsorship contract will continue separately from the grounds contract. Subject to consultation with Hertfordshire County Council to establish their continued permission to enhance the standard of maintenance on their roundabouts, the Council will retender the current sponsorship contract to commission a new marketing agent and will continue providing the grounds maintenance works to these roundabouts through the new grounds contract. Officers are currently discussing a potential alternative to a private marketing agent with a neighbouring district authority who manages their sponsorship arrangements in-house. They may be able to offer a service which increases income to the Council and improves contact with a wider network of potential local sponsors. Any offer of this type will be scrutinised fully by the Council's Procurement Officer to ensure compliance.

Buntingford Service Centre

- 4.4 A section of Buntingford Service Centre was offered to the grounds contractor as part of the current grounds contract, for which they have paid a monthly rent. Recent developments relating to accommodating the new waste contractor had indicated that this offer may not be available as part of the new grounds contract. This would have resulted in a considerable increase in the cost as tenderers would need to source and fund their own alternative depot arrangements. Such accommodation would be relatively expensive in Hertfordshire. Now that we have awarded the waste contract and discussed the possibilities of dual use on site it is possible to accommodate both contractors at the centre. The Council will therefore be able to offer depot accommodation to prospective tenderers and avoid the potential for any overall price increase in this respect.

The Use of herbicides to control weeds

- 4.5 The Group will consider future grounds maintenance constraints should glyphosate weed control be outlawed. The current consensus of opinion is that the withdrawal of herbicides for use in the grounds industry is not imminent and is unlikely to occur within the term of this contract. To avoid the risk of uncertainty for tenderers, a separate option to use alternative methods may not therefore be included. The contract may however emphasise that weed control is specified by outcome and as such must be achieved regardless of industry changes. This would protect the Council from the risk of price changes later in the contract but might also result in higher initial price.

Attractiveness of the contract to the market

- 4.6 The consultants expect strong interest for this contract, we are also aware that the waste, recycling, street cleansing and grounds maintenance market will be relatively busy over the next 18 months. Not all of them will include grounds maintenance, but the national bid teams will be busy. On this basis, it will be important to ensure the contract remains

attractive to the bidding market throughout the procurement process.

- 4.7 The best way to gauge potential interest in this contract, will be to undertake a soft market testing exercise in the early stages of the procurement process, meeting with key contacts from the companies. This will also be an opportunity to meet with the market to understand the factors that will ensure the contract remains attractive throughout the procurement.

This will inform:

- Optimum contract length
- Funding provision
- Specific contract clauses (e.g. remedy and default, security)
- Terms and conditions
- Plant and equipment
- Services

Undertaking this process should ensure that potential suppliers are aware of the opportunity and have been able to shape the process and documents to ensure it is attractive to them.

5.0 *Next Steps*

- 5.1 The key areas to be considered in more detail are as follows:

- 5.1.1 Strategic review: current market for GM procurement
- 5.1.2 Consultation with key stakeholders
- 5.1.3 The length of contract and potential extensions
- 5.1.4 The scope of the contract and how this might affect its attractiveness to tenderers and the potential for economies of scale
- 5.1.5 The chosen style of specification (input, output, schedule of rates, performance)
- 5.1.6 The quality of service and level of performance standards (in relation to potential budget increase and bearing in mind that an increase in budget is not desirable)

- 5.1.7 The potential inclusion of related services such as tree maintenance.
- 5.1.8 The potential for additional levels of sports pitch standards
- 5.1.9 Any clear options for cost saving

6.0 Conclusion

- 6.1 The task and finish group have explored a number of areas with officers and consultants. However, there are a number of issues, as explored above, which the T&F Group will explore in more detail before presenting final recommendations to O&S in June 2018. The task and finish group do ask that comments and questions are provided to shape the detailed findings in order to shape these recommendations.
- 6.2 A timetable to reach these final decisions has been indicated by the consultant that allows for the maximum possible period of consideration. There is potential however to bring forward this suggested timeline. This would compress the T&F work to a more manageable timeframe and allow for greater scope for contract mobilisation:

Soft market testing	April/May 2018
<u>Task and Finish 1</u> <u>April 2018</u>	<p>T&F Group to Consider:</p> <ul style="list-style-type: none"> • Length of contract • The scope of the contract – maintain • attractiveness to market • Inclusion of related services (e.g. arboriculture) • Style of Specification • The quality of service and • Performance standards

<p><u>Task and Finish 2</u> <u>May 2018</u></p> <p><u>Reporting to O&S 19</u> <u>June 2018</u></p> <p><u>Passed to Exec. 17 July</u> <u>2018</u></p>	<p>T&F Group to Consider:</p> <ul style="list-style-type: none"> • Dog bins and litter bin provision • Understanding of County Council verge cutting contract – and the decisions that shall be made during procurement • Cost saving options • Additional levels of sports pitch standards
<p>Development of contract documentation</p>	<p>August 2018 to September 2018</p>
<p>Placing of contract notice</p>	<p>September / October 2018</p>
<p>Shortlisting from questionnaires (SQs)</p>	<p>November 2018</p>
<p><u>Inviting tenderers</u></p>	<p><u>November 2018</u></p>
<p>Receiving initial tenders</p>	<p>January/February 2019</p>
<p><u>Executive</u></p>	<p><u>Decisions to shape final tenders.</u></p>

7.0 Implications/Consultations

7.1 Information on any procurement or financial issues and consultation associated with this report can be found within **Essential** Reference **Paper 'A'**.

Background Papers: none

Contact Member: Scrutiny Task and Finish Group Chair: Cllr Jan Goodeve
Jan.Goodeve@eastherts.gov.uk

Contact Officer: Jess Khanom, Head of Operations ext 1693
Jess.Khanom@eastherts.gov.uk

Report Author: Ian Sharratt, Leisure and Parks Development Manager