

EAST HERTS COUNCIL

ENVIRONMENT SCRUTINY COMMITTEE – 13/11/12

REPORT BY THE CHAIRMAN OF THE GROUNDS MAINTENANCE
CONTRACT REVIEW TASK AND FINISH GROUP

GROUNDS MAINTENANCE CONTRACT REVIEW –
RECOMMENDATIONS FROM THE TASK & FINISH GROUP

WARD(S) AFFECTED: All

Purpose/Summary of Report

- To advise the Committee on the results of the review of the contract by the Task & finish Group.

<u>RECOMMENDATIONS FOR ENVIRONMENT SCRUTINY COMMITTEE: That:</u>	
(A)	The Committee considers and endorses the approach and findings of the Task and Finish Group;
(B)	The Committee recommends to the Executive that the current contract represents good value for money and that an extension to this contract is the option most likely to deliver best value to the Council; and
(C)	The Committee recommends to the Executive their preference of a 3 or 5 year extension.
<u>RECOMMENDATIONS FOR EXECUTIVE: That:</u>	
(A)	Council is recommended to extend the current grounds maintenance contract for a further period
(B)	The length of a contract extension be determined, taking into account the risks of a longer period against the greater financial benefits, and in the context of the Council's Medium Term Financial Plan objectives.

1.0 Background

1.1 The grounds maintenance contract was tendered for a period of 6 years and nine months. It terminates at the end of December 2013. Provision was made for a possible extension of up to 7 years.

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

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

1.3 Grass cutting, shrub and hedge maintenance is also carried out on highway verges (under contract to Hertfordshire County Council) and in social housing estates on behalf of Riversmead Housing Association.

1.4 An Environment Scrutiny Committee Task & Finish Group was set up in August 2012 to undertake a review of the Grounds Maintenance Contract and the implications of either extending the current contract or re-tendering, with a view to providing recommendation to the Council on which way to proceed.

1.5 A presentation was given to Environment Scrutiny Committee on 11 September 2012 to explain the structure of the contract and confirm the approach being taken by the Task and Finish Group.

2.0 Report

Aims and Objectives

2.1 The Task and Finish Group considered evidence that explored the performance of the Grounds Maintenance Contract and other information to help inform a procurement decision as the contract comes towards its end. At the initial meeting a process was determined that Members agreed would provide sufficient information to lead to a decision whether to retender or extend the contract.

Review Process

2.2 The process was designed to answer the following questions:

- What are the cost, timescale and other implications of retendering the contract?
- Has the current contract performed satisfactorily?
- Does the current contract offer value for money?
- How does the current cost of the contract compare to the market given the recent changes in the economic climate?
- Is the incumbent contractor able to offer any financial, productivity or developmental incentives to seek retention of the contract for a further period?
- Are the standards of maintenance set out in the existing contract still relevant and delivering customer satisfaction?
- Does the current contract specification deliver an enforceable and effective tool for contract management?
- Are our partners satisfied with the performance of the existing contract?

2.3 The process agreed to deliver answers to these questions was to:

- Analyse performance indicators and audit systems designed to monitor the performance of the contract.
- Analyse corporate customer surveys and data from the Environmental Services Customer Enquiry system (Mayrise) to gauge levels of satisfaction and complaints.
- Undertake market research to establish whether tendered prices are still competitive and whether savings from a new contract would outweigh the cost of re-tendering.
- Consider whether the incumbent contractor is prepared to extend the contract and under what terms.

- To hold discussions with partners and seek feedback on their overall view of contract performance and to review previously recorded feedback throughout the life of the contract. Also to establish whether partners wish to continue with the contract beyond the existing term or make separate arrangements for the provision of services to their customers.
- To review any information that may be available from benchmarking groups that would provide comparisons with other contracts.
- To review the contract standards to ascertain whether they still meet the Council's objectives for this service.
- To review officers' experience of managing the contract using the existing specification.

Review Findings

2.4 The performance indicators and audit systems analysed as part of this review indicate that the contract has consistently delivered the required standards of maintenance. A broad and robust audit inspection carried out on a weekly basis captures the level of defects both geographically and according to work type. There have been no significant problems either with individual areas of the district or with particular types of operations. For instance, the unusually high rainfall across the summer months this year has resulted in prolific grass growth. The contractor has dealt with this by employing sufficiently well equipped and trained staff to cut grass to the expected standard without adversely affecting performance in other areas such as shrub pruning or litter picking. Environmental operation's contract performance, including the Grounds' Maintenance Contract is scrutinised by Environment Scrutiny every year at its June meeting. These reports show a trend of improving performance since the start of the contract in 2007.

2.5 Levels of enquiries and complaints are closely monitored through the Environmental Services Customer Enquiry and Contract Management system (Mayrise). All enquiries including those by telephone, email and post are carefully logged and dealt with. The information gathered is analysed and complaints validated to determine whether they indicate a failure by the contractor. Some complaints relate to issues that customers have concerns about but that are not the responsibility of the contractor. (e.g. the work of

another contractor; land or functions that are outside the Council responsibilities). The numbers of complaints which are attributed to the contractor have remained low throughout the contract when compared to performance experienced with the previous contract. Whilst the nature of complaints often relates directly to seasonal changes in the weather, there have been no periods of failure linked to any specific operations. This has indicated that resources have been adequate and evenly committed. The level of validated complaints has remained consistently well below the level expected and allowed for under the contract.

- 2.6 The Task and Finish Group considered the Agency Agreement with Hertfordshire County Council for verge maintenance which is carried out under this contract. Hertfordshire Highways stipulates lower standards for grass cutting for its verges as they deem the cuts to be for safety reasons not for visual amenity. It would allow its grass to get to 150mm (urban) or 250mm (rural) depending on the location – which is much higher than East Herts Council (EHC) sets for its amenity land. The Council has previously made the decision to have all the grass cut to the better standard (shorter grass) and so pays for the additional work to be done (a top-up). This is the approach taken by district and borough councils across Hertfordshire.
- 2.7 Currently the income received from Hertfordshire Highways for core works under the agency agreement is £172,400 per annum. The implications of not continuing with the top-up to provide residents with an acceptable ‘amenity’ standard are the prospect of a significant increase in complaints. There would also be an inconsistent standard of grass cutting between verges owned by the County and EHC in the same housing estates. Evidence based on the period in 2006/7 when a previous contractor was ‘failing’ and the grass was not being cut to the better standard shows that this provoked over 2000 complaints per annum. This level of complaints has resource implications not only for dealing with customers and managing the contract but it also delays progress on other projects and has an adverse affect on the Council’s reputation. For these reasons the Task and Finish Group felt that in principal the top-up arrangements should continue with the proviso that contributions from the Council remain at the previously agreed level.
- 2.8 Overall satisfaction with the Council has been measured in recent years through the biannual Residents Survey which include our customer’s views relating to the upkeep of parks and open spaces.

The 2011 survey showed that 7 in 10 residents were satisfied with various services including parks and open spaces which was rated at 74%. This was set against results which showed that more than a fifth of residents were dissatisfied with some services such as local transport information. When asked "Thinking generally, which of the things below would you say are most important in making somewhere a good place to live." 30% of respondents included parks and open spaces. When asked "Thinking about this local area, which of the things below, if any, do you think most need improving?" only 8% chose parks and open spaces. The Priority Analysis Summary which reflected responses to a range of services thus grouped parks and open spaces together with only three other areas of provision as "More Important / Least Needs Improving" indicating that this area of the Council's services is one of its key strengths. Whilst some of this success relates to overall parks improvements developed through both external and Council funded capital projects, it also suggests that the parks and open spaces across the district are maintained to a good standard through the Grounds Contract.

- 2.9 A company specialising in helping local authorities to procure environmental contracts was commissioned to undertake specific market research as part of this review. Their brief was to assess whether the contract is giving good value for money from a financial perspective and if the Council would be likely to achieve savings if the contract were retendered in 2013. The work required that they must have access to an existing database of market prices for similar contracts to compare to and that the data used must be no more than 3 years old. The comparison authorities had to be of a similar size and character to East Herts operating a similar maintenance specification. The result of this assessment was that the contract is giving good value in financial terms and that retendering is unlikely to achieve significant savings at this time. They advised that the Council might seek to obtain efficiencies through the negotiation of an extension. In particular it was noted that the Council might seek to negotiate a change to contract indexation, which is currently based upon the Retail Price Index (RPI). This is no longer considered by Government or the public sector to be an accurate measure of inflation.
- 2.10 At the request of the Task and Finish Group, Officers have undertaken extensive negotiations with the existing contractor to consider opportunities for efficiency improvement that will deliver financial and non-financial benefits.

2.11 The following have been proposed as the contractor's final offer in the event of an extension.

- Year on year guaranteed savings depending on the length of the extension period (see section 2.20).
- A commitment to help the Council reach its long term commitment of reducing carbon emissions by 25% by 2020
- Better incentivisation of staff to communicate a wider range of observations on the ground, from alerting the Council to trip hazards to the fine tuning of specialist pruning activities. This should help to reduce unforeseen risks to the public and to ensure that operatives are even more encouraged to take pride in their work and to deliver the best possible service
- Improved interaction with community groups enabling local residents involved in Friends of Parks groups for instance to benefit from a more direct service from the contractor relating to on the ground tasks and to have greater opportunity to refine the specific delivery of grounds care in their own parks
- Capital investment into new equipment to ensure that new developments in the industry are utilised in the contract and that machinery is always in good condition and operating to its full potential
- Developments to improve colourful flower displays in a sustainable way such as perennial and annual seed mixes used at prime locations. These require less water than traditional bedding and have been received well by customers in other authorities
- Expanding the number of staff involved in the Community Safety Accreditation Scheme to help support the work of the local police and the Council's own enforcement officers
- Helping to promote healthy activities on open spaces with new running tracks to encourage physical fitness
- Further developing initiatives to improve staff qualifications and to employ people through their apprenticeship scheme

The contractor considers a three year extension to be the minimum period of time needed to enable a significant saving to be offered, while maintaining and protecting the high level of service delivery that local residents and communities expect.

2.12 The review sought feedback from the major partners who commission work through the contract. Officers have met the new senior highways staff now covering East Herts some of whom have worked with the Council previously offering an element of continuity. The Agency Agreement provides grounds maintenance to highway verges across the District with the exception of the A

roads and the B1000. Hertfordshire Highways have confirmed after a brief period of negotiation around the price that they would like to continue with the current Agency Agreement arrangements whether the contract is extended or retendered. It was made clear that if the contract were to be retendered, the costs would be reassessed according to new rates. Under an extension the charges would remain as they are. It was acknowledged that both the County and the District Council benefit from the continuity of a good standard of maintenance across the district in terms of customer satisfaction and the minimisation of complaints. This commitment to continue working in partnership with the Council provides surety to a decision to extend. The Highways element of the contract accounts for 25% of the value and so might attract contractual claims were it to be omitted from the contract on the grounds that the contractor's income in relation to the tendered Bill of Quantities would reduce.

2.13 Senior Managers from Riversmead Housing Association confirmed they are generally satisfied with the performance of the contract. They would like to continue with the current arrangements under a contract extension and would be pleased to be a named party as an option in any future retender. They expressed confidence in the Council to develop a real opportunity to further improve customer satisfaction. This is a particular focus for their organisation at present. It would involve working more closely together to understand the specific needs of their customers and to ensure that any limitations of service delivery are understood. Where customer expectations seek improvements that are outside the current arrangements, Riversmead would like to explore making more proactive use of the additional schedule of rates works that can be offered. It would also like to work more closely with officers to benefit further from their expertise, developing Riversmead's in-house capabilities in areas such as contract management and the use of mapping systems.

2.14 South Anglia Housing Association (part of the Circle Group) currently makes its own arrangements for the grounds maintenance of its housing estates. It is satisfied with its current contract, which runs until 2016. It has advised that it may consider a joint contract with East Herts in the future if this could be demonstrated to deliver its financial and customer services objectives. Whether the Council decides to extend or re-tender the contract, officers will work with South Anglia to ensure that there is a co-ordinated approach to grounds maintenance and opportunities for joint working are considered as they arise.

- 2.15 Information gathered through the Hertfordshire Association of Cultural Officers (HACO), Environmental Sub Group has been considered by officers as part of this review but has not been found to be relevant in determining specific performance of the contractor. Some data is available to compare general contract rates between participating authorities but these are not sufficiently recent to provide meaningful results for this review.
- 2.16 The review has considered the current contract standards and specification with considerable exploration of the service delivered through the current arrangements. The Task and Finish Group notes that minor changes to grass cutting standards would have little or no effect on price, however significant changes to standards would be likely to result in significant public dissatisfaction. On the basis that these provide a satisfactory level of service delivery to customers, it is recommended that the specification is not altered within any extension of the contract.
- 2.17 Officers have offered their own evidence from contract monitoring data for consideration as part of the review. They have confirmed that the incumbent contractor has operated in an honest and reliable way demonstrating a crucial understanding both of the importance of customer care and of staff training to deliver horticultural quality. They refer to some notable contract improvements brought about by John O'Conner as part of this effective working relationship:
- The introduction of regular meetings between client inspection team and contractor's staff
 - Joint auditing of health and safety and management procedures
 - A partnership approach to In Bloom and Green Flag development.
 - Installation of tracking devices on vehicles.
 - Installation of inclinometers on grassing cutting machinery to minimise risks on slopes.
 - Sourcing plants from peat free suppliers.
 - Training staff to NVQ standards and introducing an apprenticeship scheme.
 - Play area inspections recorded on database and input from personal digital assistant (PDA) handheld computers on site.
 - Customer calling cards to leave in the event of any problem on site.
 - Proactive use of shrub manual (annual audit of beds) to inform winter additional works.

- Assisting client to develop a programme of works to maintain and develop woodland/scrub areas that were not initially included in the schedule of rates
- Developing maintenance regimes to help secure Green Flag accreditation

Officers concluded that they would approach a recommendation to extend the contract with confidence that services could not only be maintained at their current high level but that they could be further improved.

Summary

2.18 The evidence concludes that the contract delivers value for money and predicts that there would be no benefit to the Council or its customers in retendering the contract given that the contractor's proposed enhancements are accepted.

2.19 Performance of the incumbent contractor has improved significantly in comparison with the previous contract and shows consistent levels of improvement throughout the period of the contract to date. The evidence from partners and officers demonstrates that the contract provides a service to the Council's customers that meets their expectations and is to a standard that delivers its corporate objectives; for maintaining the standards of the built environment and our neighbourhoods and ensuring our towns and villages are safe and clean.

2.20 The financial benefits to the Council from an extension offering a real reduction in base budgets are as follows:

- Option 1 presenting a 5 year extension offering a saving of £50,000 per annum or
- Option 2 suggesting a 3 year extension with savings of £22,000 per annum.
- A change of the existing annual review mechanism from the Retail Price Index (RPI) to the Consumer Price Index (CPI). John O'Conner would accept a change to CPI but, to limit the risk to them, this would be capped at a maximum difference between the indices of 0.4% either way in the event of a 3 year extension. With a 5 year extension John O'Conner would offer to change the index to CPI without any cap. To clarify; John O'Conner have estimated that £8,000 is the maximum average saving per annum for the Council based on their forecast of the expected difference

between the two indices over the extension period based upon a difference in rates of 0.4 percent compounded.

- The estimated one off cost of retendering a contract is in the order of £60,000 including both officer time and external support. The process involves a 12 month programme of work. There is therefore a “cost avoidance” benefit to an extension by increasing the number of years before this expenditure is required.

2.21 On this basis it is concluded that the value of retaining continuity, a proven quality of service, the interests of our current potential partners and the financial and service improvement benefits of an extension outweighs the potential benefits of retendering the contract.

2.22 It is proposed that the Executive be asked to consider which of these options (3 years or 5 years) is preferred in the context of the Medium Term Financial Plan. The longer extension period delivers greater financial savings, but in the context that it increases the risk by limiting the ability to respond to a change in circumstances.

3.0 Implications/Consultations

3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper ‘A’**.

Background Papers

Contract Performance – Environmental Operations (report by Head of Environmental Services to Environmental Scrutiny Committee on 26 June 2012)

Contact Member: Graham McAndrew –Chairman of the Environment Scrutiny Committee Task & Finish Group set up to undertake a review of the Grounds Maintenance Contract

graham.mcandrew@eastherts.gov.uk

Contact Officer: Cliff Cardoza - Head of Contract Services
Contact extn 1527

cliff.cardoza@eastherts.gov.uk

Report Author: Ian Sharratt – Environment Manager – Open Spaces
Contact extn 1527

ian.sharratt@eastherts.gov.uk