

EAST HERTS COUNCIL

OVERVIEW AND SCRUTINY COMMITTEE – 19 JUNE 2018

REPORT BY THE CHAIR OF THE GROUNDS MAINTENANCE TASK AND
FINISH GROUP

CONTRACT OPTIONS FOR GROUNDS MAINTENANCE

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- To report the findings of the Grounds Maintenance (GM) Contract Task & Finish Group including soft market testing and the implications of Hertfordshire County Council (HCC) verge maintenance.

<u>RECOMMENDATIONS FOR OVERVIEW AND SCRUTINY:</u> The Committee is invited to recommend to the Executive, that the council:	
(A)	Offers the contract for a term of 8 years with the potential for a 5 year extension
(B)	Designs and tenders a contract which delivers the same quality standards (described in Essential Reference Paper 'B') across the district continuing with a performance/output approach as opposed to a scheduled delivery of works
(C)	Makes savings to offset the increase in costs of a new contract by no longer funding a "top up" to cut Hertfordshire County Council grass to the East Hertfordshire Council standard (saving approximately £800,000 over the contract term).

1.0 Background

1.1 The Group reported some initial recommendations to Overview and Scrutiny in February 2018, which was followed by further meetings to arrive at this final set of recommendations.

Two key issues came out of the initial exploration:

- the contract has been performing well and has been meeting resident's expectations and;
- if the contract is specified using standards which would deliver the same level of performance, the price may increase by 11%. This equates to approximately £150,000 per annum.

The group have explored a number of areas where savings may be found. These included:

- to withdraw from the "top up" arrangement with HCC where the district council currently maintain their highway verges to a higher standard than would otherwise be delivered, but at additional cost to East Herts council and;
- to rationalise the way East Herts Council provides and empties litter and dog waste bins to explore efficiencies.

1.2 The group confirmed in the previous report to Overview and Scrutiny that the council will use the Competitive Procedure with Negotiation method of procurement which enables procuring authorities to engage with suppliers before finally awarding a contract and is less resource intensive than Competitive Dialogue.

1.3 It was noted by Members at the Task & Finish meeting of 7 February 2018 that it may not be possible to establish the full potential impact that the removal of the Hertfordshire County Council (HCC) verge cutting may have on other rates within the contract until the re-tendering process starts.

1.4 Members discussed potential prices in the tendered contract, particularly highlighting some details such as the cost of locking and unlocking the gates at Hertford Castle. It was noted that any operational needs would be considered separately by officers to inform later decisions and that the

work of this group was focused on standards, contract procurement and consideration of the main elements to include in the contract.

- 1.5 Overview and Scrutiny resolved in February 2018 that the HCC “top up” arrangements continue to ensure consistency of verge cuts district wide. However, it should be noted that it will not be possible to achieve a standard of grass cutting on HCC grass equivalent to that achieved on East Herts Council (EHC) open spaces at the same price as the current contract.

The Task and Finish Group have explored in more detail how a general increase in contract prices will result in a more expensive contract if the service is delivered in the same way. It has been necessary to calculate potential costs and review market effects in some detail whilst also exploring how the impact of following the HCC approach of setting standards according to safety might impact public satisfaction. It is therefore necessary to consider a two tier approach to the provision of grounds maintenance across the district; a reduced standard on HCC land by HCC to achieve highway safety requirements, and maintain the current East Herts council open space cutting standards, to achieve the leisure needs of the community.

2.0 Report

2.1 *Soft market testing*

Officers hosted a soft market testing day on 17 April 2018 meeting with key providers to gauge potential interest in the contract in the early stages of the procurement process. This provided an opportunity to advertise the contract to grounds maintenance companies; to understand their views of the contract and to meet with the market to understand the factors that will ensure the contract remains attractive throughout the procurement. Each company was allocated an hour to explore areas such as optimum contract length, funding provision, specific contract clauses e.g. remedy and

default, security, terms and conditions, plant and equipment and services.

All the contractors were comfortable with Competitive Procedure with Negotiation as the chosen procurement procedure for this tender and welcomed the decision not to undertake an onerous Competitive Dialogue Procedure.

The Task & Finish Group have explored the results of the soft market testing and the issues raised during the meetings. The following specific findings have helped to inform their recommendations.

2.1.1 Length of Contract

All the contractors welcomed a contract period that is as long as possible. This is considered to be more interesting to contractors and provides an opportunity to develop a relationship with the council, with longer contracts attracting better prices. They were clear that the contract could include extension periods, but that extensions should be sensible in terms of buying equipment and vehicles. Multiples of 5 years was popular as was a longer initial term (7 or 8 years) followed by a 5-year extension.

It is recommended therefore that the council offers the contract for a term of 8 years with the potential for a 5 year extension.

2.1.2 Grass Cutting

The concept of taking the HCC grass top-up arrangement out of the contract was explored. Most bidders confirmed that the volume of grass being cut will not impact the rate (per m) which will be tendered. So cutting 2 million m² will attract the same unit rate as 3 million m². (Discussed further in 2.3 HCC Grass). It can be assumed therefore that any omission of verge maintenance resulting from withdrawal from the agency agreement would not have a negative impact on the overall tendered rates for grass cutting per square meter; therefore

savings can be provided by reducing the volume of grass cutting.

2.1.3 Prudential Borrowing, Risk and Securities

The option for prudential borrowing from the council was discussed. The responses varied from interested to no interest at all, with the contractor's responses influenced by their access to cash / funding; and also, how they will be financing vehicles and equipment. The overall conclusion is that offering financial support for equipment purchases would not make the contract significantly more attractive and should not therefore be included.

All the contractors stated that they have worked with various indexation mechanisms and are happy to work with whatever the council finds to be most viable. The current contract is inflated each year in line with the Consumer Price Index (CPI). The same flexibility is possible in relation to providing either a Bond or a Parent Company Guarantee.

2.1.4 Chemicals

The issue of the potential banning of Glyphosate (a chemical used extensively to control weeds) was explored. The feeling from contractors was that a ban is unlikely. They also felt that regulatory shifts should be dealt with by change of law clauses in the Conditions of Contract. The group concluded however that the new contract should not expose the council to any required negotiation in such a scenario. As some of the contractors pointed out, there are a number of alternatives currently being developed. The successful contractor will need to price the work to allow for any potential need to change weed control methods. A change of law clause will be included in the contract to account for any unforeseen changes in the law. The council does not accept that the withdrawal of a chemical from the market constitutes a change in law.

2.1.5 Arboriculture and remedial play repairs

All contractors welcomed the inclusion of arboricultural services in the contract. Most would undertake the work themselves, with some likely to outsource the work to trusted sub-contractors. They are all also able to undertake inspection and remedial work in playgrounds. This is referred to further in 2.5 Additional function of the new contract.

2.1.6 *Dog Bins / Litter Bins*

Most contractors recognised that dog waste and general litter could be co-collected, and the use of single-use vehicles would make sense. The current contract method is to bulk the materials separately at a collection point, then pay for it to be disposed. This is discussed further in 2.4 Dog and litter bin rationalisation.

2.2 *Design of contract*

As reported previously; 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 standards and overall contract performance.

The group found that grounds maintenance in East Hertfordshire is on the most part to a high standard resulting in a well maintained environment fit for the purpose of providing for leisure activities. Section 2.3.5 describes the scope of the areas of land which are maintained as part of the grounds contract.

Members who had attended the tour of East Herts parks and open spaces commented how well maintained and well used they were. Further discussion concluded that it is important to retain the level of standards set in the current contract in order to achieve the council's corporate objectives to enhance the quality of people's lives with attractive places.

It is recommended therefore that the council designs and tenders a contract which delivers the same quality standards

(as described in Essential Reference Paper 'B') on East Herts council land and uses performance standards as opposed to a scheduled delivery of works as the most efficient means of enforcing the specification.

It is accepted that some elements of work such as hedge pruning may require the specification of scheduled works.

2.3 *HCC Grass*

Financial Position

2.3.1 Officers discussed the council's financial position with Members and the need to drive for potential savings wherever possible and appropriate. The group noted that as outlined in the Medium Term Financial Plan (MTFP), there was a funding gap of over half a million pounds each year to be met and that the forthcoming 2% rise in staff salaries has increased this figure further.

2.3.2 Reference was made to a low cost per metre of grass cutting at Overview and Scrutiny Committee in February 2018. When considering the price per metre, the rate is relatively small (urban highway verge £0.26/ m², rural highway verge £0.21/ m² and swathe cut £0.05/ m²). However the volume is high (HCC grass amounts to 1.5 million m²). It equates therefore to a significant annual cost which is difficult to sustain going forward. The Task and Finish Group found that although such expenditure to "top up" HCC verge maintenance may not appear to be a large sum, the cost year-on-year would be significant; and that a potential saving of £800,000 over the course of the new contract prior to any extension must be considered carefully. It is important to note however that any savings arising from the cessation of HCC grass cutting would help towards off-setting the anticipated increase in contract costs, and would therefore mean that a growth in revenue budgets may not be required. For context, if the HCC "top up" were to continue, Council Tax would need to increase by 1% to cover the costs.

2.3.3 At the meeting of the Task and Finish Group on 30 January 2018, Members expressed that they prefer to see longer grass in rural areas but questioned whether residents would be accepting of this in urban areas. The Group agreed that a balanced approach is needed to ensure a good level of maintenance that ensured residents would be confident that the council was looking after its assets but also promoting understanding of the appreciation of nature. The County's swathe cut across the district which includes all the country lanes is cut to a minimal standard of two cuts within the current agency agreement, which would be the continued safety standard for HCC should the council hand back maintenance. Many of the council's open spaces are maintained with ecology as a prime consideration allowing for meadowland and perimeter margins to be cut to a conservation standard of one or two cuts timed to allow flowers to seed.

2.3.4 The group noted that other district councils have needed to make changes due to financial pressures. Hertsmere and St. Albans handed grass verge cutting on HCC verges back to HCC despite having a similar top-up arrangement for many years (St Albans in 2015 and Hertsmere in 2018). Both authorities have advised that a key element to delivering this change was to provide HCC with sufficient time to negotiate and absorb the works and for a comprehensive process of educating residents about the change. Both authorities agreed to continue with some areas of grass cutting where it was operationally sensible to do so to avoid duplication.

Three Rivers District Council also advised that they ceased the grass cutting arrangement in 2009. Prior to the cessation of the arrangement, HCC were paying them the value of a basic grass cutting regime and the district funded an enhanced service. They requested HCC increase the payment for the basic grass cutting and when they declined, the whole of the grass cutting went back to HCC.

HCC officers have been made aware of the issues being considered by the group and have emphasised that they are

keen to discuss all options with a desire to work collaboratively with district councils in the best interest of the public.

A brief survey of local authority approaches to grass cutting across the country reveals that it is not uncommon for district councils to fund an enhanced service to County highway authorities. County councils in Lincolnshire, Lancashire, Nottinghamshire, Devon, Essex and Suffolk for example, all have arrangements with district, borough, city or parish councils to cut urban grass on their behalf. Some of these arrangements mention a financial contribution by the districts.

Lancashire County Council note that where a district or parish wishes to carry out these works to a higher standard i.e. more frequent grass cutting, they may do so at their own expense. Hampshire County Council reported a change of policy to renegotiate all agency agreements based upon a lower standard of grass cutting (from 4 cuts to 1 or 2) whilst still inviting district councils to consider cutting on their behalf. Nottinghamshire County Council advise that many grassed areas in and around housing estates are not part of the highway and cutting these is not their responsibility. They go on to say that many residents and businesses prefer a lawn-like finish to the grass outside their properties, recognising the important work that residents and businesses do in cutting the grass outside their properties. They provide a list of points to consider when residents are working in a public space and near to traffic.

2.3.5 Extent of cutting across district

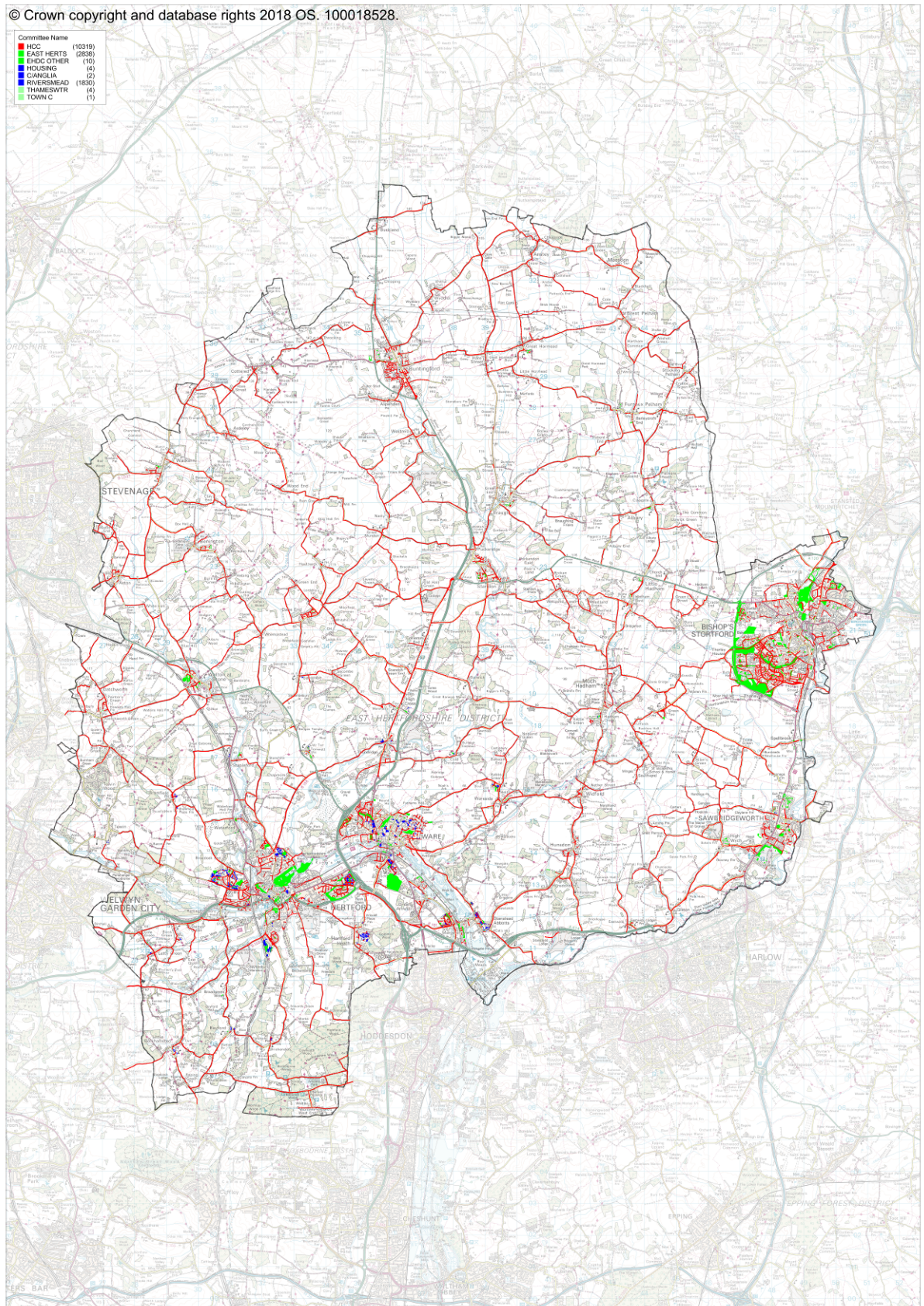
Members explored a range of maps to understand some comparisons between HCC and East Herts grass. The map that follows shows the current mix of responsibilities and how there is a distinct difference between highway verge and open space.

The red marking shows the wide and extensive county verges including the network of "swathe cut" along rural lanes. That

element alone is quite extensive and reflects the considerable areas of verge which are already restricted to a low cutting frequency of 2 visits per year (conducive to wild flowers). It also shows clearly that the agency agreement with East Herts does not include the A roads which are already cut by Ringway under direct contract with HCC. A key point is that many HCC verges are in residential areas where there is currently an expectation from residents of a tidy standard.

The map also shows EHC grass (in green) and the Network Homes' verges (in blue). It shows that, were the council to withdraw from providing an enhanced grass cut for HCC, the remaining grass which it owns is all parks or open spaces and not grass verge.

It also shows also that the residential estates now owned by housing associations (Network and Circle) have some areas which the council retained after stock transfer. Again though, these are larger areas of open space and not verges. In the new grounds contract all grass verges in these areas will be cut by the housing associations.



A version of this map which can be expanded to zoom into the detail is available on the hosted desktop at <X:\Environmental Services\Leisure, Parks & Open Spaces\HCC Overview ALL.tif>

2.3.6 *Verge Maintenance conclusions*

The group highlighted the need to consider the value that residents placed on the current standards of verge maintenance and noted that if the HCC “top up” fee was removed, it would offset much of the predicted growth in contract price.

In light of this, the group gave consideration to the question of whether the council should aim to spend the same and maintain current standards; or reduce standards to avoid increasing the grounds maintenance budget. This included the premise that HCC would cut the verges 3 or 4 times per year (to meet their standard of 150mm in urban areas), compared to the 12-14 times per year currently undertaken by EHC to meet our standard of 80mm. The group reflected upon photographs used by officers to indicate what grass verges should look like if maintained to our standard and what they look like if the contractor falls behind. These photographs illustrate how verges would look at the safety standard adopted by HCC. See **Essential Reference Paper ‘B’**

Consideration was also given to the potential for reducing the standards of the council’s maintenance across the board to match HCC’s safety led standard. It was concluded that, as the majority of maintenance carried out through the grounds contract is in the council’s parks and open spaces, this would be undesirable. Residents visiting parks to kick a ball around, have picnics or use the grass areas for the wide range of activities currently enjoyed would then often be unable to. The grass would reach a length which would prevent ball games and make it difficult to access with wheelchairs or children’s buggies. Resident’s confidence that the council is investing in health and wellbeing and managing its assets well could be brought into question.

The risk to EHC of no longer enhancing HCC verge maintenance in terms of expected complaints has been considered. It was concluded that whilst a change to the

appearance of verges in urban areas would be likely to attract some complaints, although these were likely to subside after a few months. Communicating information to residents about who to contact and explaining the rationale of standards for HCC grass would help to minimise the impact of a change. This would also provide an opportunity to promote the ecological benefits alongside the cost saving for EHC.

The group therefore recommends that the council makes savings to offset the potential increase in costs of a new contract by no longer funding a "top up" to cut HCC grass to the council's standard. The group advises that this in practice would mean ceasing the HCC verge maintenance programme and handing back the responsibility for verge maintenance on highway owned land to HCC.

HCC would have the option to pay the tendered price for grass cutting to EHC standards and to pay for operationally advantageous areas such as verges adjacent to our grass to be cut by EHC to our standards at our tendered rates. The principal is that the council would no longer choose to enhance the service or to take on maintenance to a lower standard.

The final tendered price per metre rate of grass cutting will not be available until the tender stage. Early negotiations with HCC will reveal whether they might be prepared to pay the full cost of grass cutting to the EHC standard. If the successful tenderer's grass cutting rates are competitive, the cost of cutting may not be significantly more than HCC would have to pay to their own contractor to cut to their lower safety standard. If they are interested in considering this the council will tender an option in the new contract to cut HCC grass at a consistent standard with EHC's. If the price meets with HCC approval then a new agency agreement would be needed to maintain HCC verges to the EHC standard. If HCC determine that the cost is too high, the council will not include this option in the final contract with the new provider.

2.3.7 The group agrees in relation to this that the council negotiate the continuation of weed control of hard surfaces on behalf of HCC at full tendered costs. The current agency agreement includes this provision at full cost and the work supports our duty in relation to street cleansing. If weeds are not controlled on footpaths they begin to look untidy and can then attract litter dropping. The group noted that street cleansing is a district responsibility whereas the upkeep of the footpaths including weed control is HCC's. The council would offer this provision regardless of whether verge maintenance is retained.

2.4 *Dog and litter bin rationalisation*

The consultants advised the group at the meeting of 7 February 2018 that it would be cheaper to have dog waste and litter bins collected at the same time by the same vehicle, which would be a change to the current arrangements. All prospective tenderers have stated that they are already operating similar contractors with combined collections in place and that they have experienced no issues with the disposal of the waste.

The group explored the potential for this new approach to the provision of dog waste and litter bins in our open spaces. The proposal to combine collection operations does not however include the removal of any existing dog waste or litter bins other than where they require replacement due to their condition as part of the ongoing replacement regime.

Some authorities have also replaced litter and dog waste bins with a single dual use bin. Given the complexity of a scheme to change bin types, locations / numbers and the scope of public consultation required, the group agrees that changes should be restricted to the collection process only during this process to re-tender the contract.

The council will therefore seek savings by combining dog waste and litter collection into one operation.

It has been noted that many authorities now require the contractor to schedule works to ensure bins are never more than 75% full. This is a different approach to the scheduled one the council currently requires, shifting the specification to a performance / output approach. This will be considered for incorporation into the new contract.

2.5 *Additional function of the new contract*

Further to the findings from the soft market testing, the group agree that the council adds the delivery of tree maintenance and play area remedial works to the contract in a schedule of rates format.

The current arrangements relating to arboriculture were discussed at the meeting of 24 April 2018 when it was noted that all the contractors could deliver this service (maintenance, not inspections) and would welcome its inclusion in the contract. It was noted that the inclusion of arboriculture maintenance within the contract could create a financial saving in terms of officer resource as the current arrangements of commissioning separate works each year requires significant officer time. Likewise, the expansion of the contract to include play maintenance would make it more attractive and is a service already offered by most contractors. The new contract would require sufficient evidence from tenderers that they have the required skills and experience to deliver these services.

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

Details of the current council maintenance specification standards and photographs of enforcement standards can be found within **Essential Reference Paper 'B'**.

Contact Member: Grounds Maintenance 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
Ian.Sharratt@eastherts.gov.uk