

North Somerset Council

REPORT TO THE COUNCIL

DATE OF MEETING: 14 MAY 2019

SUBJECT OF REPORT: PARKS AND STREET CLEANING COMMISSIONING AND PROCUREMENT PLAN

TOWN OR PARISH: ALL

OFFICER/MEMBER PRESENTING: EXECUTIVE MEMBER FOR ENVIRONMENT

KEY DECISION: N/A

RECOMMENDATIONS

That Council agrees: -

- not to extend the current Parks and Street scene contract
- that the services currently being provided under the Parks and Street Scene contract are split into two operational areas, grounds maintenance and street cleansing/seafronts and procured as separate contracts, with bidders given the option of offering a discount if awarded both contracts.
- that the new contract(s) will commence from 1 April 2020, upon termination of the current Parks and Street Scene contract
- the Commissioning and Procurement routes set out in this report.

1. SUMMARY OF REPORT

The Parks and Street Scene contract ends on 31 March 2020. This report sets out the proposals for the re-provision of these services from 1 April 2020.

2. POLICY

The provision of services provided under this contract directly contribute to the Council's ambition for providing quality places in which to live, work and visit.

3. DETAILS

3.1 Existing Contract

3.1.1 The current Parks and Street Scene (P&SS) contract commenced on 1 April 2013 and is contracted to Glendale Grounds Management Limited. The contract has an initial term to 31 March 2020, with the option for extension, or extensions, up to 31 March 2027. The contract has a base budget of £1.8m a year.

3.1.2 The contract provides the following main services:

Street Cleansing	Grounds maintenance	Weston- super-Mare sea front	Arboricultural works
Street Cleansing Beach Cleansing Power Washing	Grass cutting Sports pitch maintenance Hedge maintenance Shrub bed maintenance Rural flailing	Beach rake Shelter cleaning	All tree surgery Stump grinding Tree planting
Weed control Graffiti Removal Removal of fly tipping Litter collection			
Emergency call outs (non-Core Hours)			

3.2 Service Quality

3.2.1 The natural environment is important to residents, visitors and businesses and as such the maintenance of our open spaces demand the highest affordable performance. The grounds and trees maintenance contractor is required to meet this expectation by delivering a quality service; but within the context of limited resources. Because of this it is necessary for the service to have a level of flexibility so that inconsistent demand can be met.

3.2.2 The street cleansing service is a statutory service which is underpinned by a Code of Practice and requires the council to split the area into different zones, depending on use, and for these areas to be cleaned at the required frequency to maintain them to an affordable standard. There is also a blurred boundary between street cleansing and waste collection, especially in the town centres, where it is important that these areas are cleaned more frequently. The service needs to consider this and ensure the provision is joined up.

3.3 Market Analysis and Supplier Engagement

3.3.1 Following publication of a national invitation, soft market meetings were held with three major companies, with a written set of response received from a fourth.

3.3.2 Three of the Companies invited to the soft market testing either have standalone Street Cleansing contracts or would be interested in bidding for the Street Cleaning element. Street Cleaning contracts are often incorporated with refuse and recycling contracts and there is a well-established market in this discipline. It is therefore envisaged that there would be a range of suppliers who would be interested in bidding for the Street Cleansing element. This makes Street Cleaning more accessible to other areas of the market should the scope be split.

- 3.3.3 Desktop market analysis has indicated that there are at least eight suppliers (many of whom are SMEs) who would be interested in bidding for the Grounds Maintenance and Trees element of the contract. It is envisaged that the majority of these suppliers would also be interested in bidding for the Street Cleaning element.
- 3.3.4 All three Companies that attended the soft market testing indicated an interest in both elements of the contract.

3.4 Service Re-provision options

- 3.4.1 The following options for providing the service from April 2020 have been assessed:
- Extend the current contract
 - Bring the service in house
 - Re-procure a single contract
 - Re-procure as two contracts (separating Grounds Maintenance from Street Cleansing)
- 3.4.2 The current contract allows for a contract extension(s) to 31 March 2027. Initial extension discussions have been held with Glendale, however we were unable to agree acceptable financial terms for the duration of the extension. It is also important to test the market appetite for the potential splitting of the service areas and to ensure the Council receives value for money and the outcomes expected. Consequently, a contract extension is not being recommended.
- 3.4.3 The council's operation model is primarily one of outsourcing direct service delivery. There are very few areas in the council where direct service provision is still being provided. The creation, operation, management and resourcing of an in-house operational unit of around 50 staff would take considerable time and resource commitment. There are a range of established markets for the provision of the services covered by these contracts and consequently it is considered that there would be no significant operational gain to be achieved through direct service delivery.
- 3.4.4 Indicative direct service provision costings are however being developed to baseline the likely costs of the future service, and to use as a benchmark for evaluating the cost of tenders, and whether to progress a direct service provision option.
- 3.4.5 Although larger suppliers would naturally prefer a single contract, the conclusion from the market analysis is that suppliers would bid if the contract was split into separate contracts, and furthermore there are suppliers who might only bid for one or other of the contracts.
- 3.4.6 Under the Public Procurement Regulations there is also an expectation for contracts to be divided into smaller lots where there is not a strong economic or technical justification for aggregating into one contract.
- 3.4.7 A key factor in the 2012 decision to combine the street cleansing and grounds maintenance services was the perceived synergies in services. In practice, this has not proven to be as significant as initially thought. Combining this experience with both the future significant differences in contract type and the core skills required to

deliver the services means that the continuation of a joint contract may not provide the best option.

3.4.8 In summary, it is proposed that the services are re-procured as two separate contracts, Grounds Maintenance and Street Cleaning, via a single procurement process. Discounts will be sought, as part of the tender process, if a supplier is awarded both contracts.

3.5 Contract Commercial and Pricing Model Options

3.5.1 The current contract effectively operates as a resource-based contract. Target outcomes are set out in the contract, but the contract allows for these to be waived by the Council to reflect operational needs and priorities, allowing the flexibility to be able to deploy resources as wanted, giving the ability to react to unforeseen events.

3.5.2 The identified alternatives to a resource-based contract are:

- Schedule of Works – supplier provides a fixed price for a fixed scope
- Contract by outcomes – supplier undertakes to do whatever work is required to maintain agreed outcomes e.g. maintain grass within a maximum height.
- Schedule of Rates – Hourly/Daily rates are agreed, and we pay for what we use.

3.5.3 A Schedule of Rates approach was rejected by the suppliers who attended the soft market testing meetings due to the uncertainty it creates and the complexity of management. However, Schedule of Works and Contract by Outcomes are viable options in some circumstances. An assessment of the commercial options against each are of scope is provided at Appendix A.

3.5.4 In summary, whilst Schedule of Works and/or outcomes-based approaches are feasible for some areas of Parks scope, it is recommended that a Resource based approach is used. Street Cleaning, assuming separate contracts/lots, would primarily operate on a Schedule of Works basis.

3.6 Key Commercial Aspects

3.6.1 Bespoke contracts will be developed with Legal, the key commercial aspects of the contracts are set out below.

3.6.2 Costs and Pricing - The Grounds Maintenance and Trees contract will be a resource-based contract where the contractor is committed to provide a level of resource and if they do not then we are entitled to a proportionate refund. The contract will be clear that we are paying for resource not specific people, i.e. sickness/absence/recruitment risk, within defined parameters, will be held by the contractor.

3.6.3 The Street Cleaning contract will be a mixture of:

- Fixed Price (approx. 90%) - Contractor provides a Fixed Price to deliver a Schedule of Work
- Resource Pool (approx. 10%) - Contractor provides a fixed pool of resource – the Council defines what it is in the specification. The Council is entitled to a proportionate refund if the contractor has to divert this resource to fixed price

work. As with Grounds Maintenance, sickness/absence/recruitment risk, within defined parameters, will be held by the contractor.

3.6.4 Key Performance Indicators - The contracts will contain KPIs that are broadly based on the table below:

<u>KPI</u>	<u>Measurement</u>
Number of sampled tasks that have been completed	Council sampling procedure
<i>Number of sampled tasks that have been completed to specification or issued standard</i>	Council sampling procedure
Sites checked by contractor	Evidence provided by contractor (target 40 sites per month)
Health and Safety Checks	Council sampling procedure
	Contractor sampling procedure
<i>Rectification Notices/Incidents – Minor</i>	Number of incidents
<i>Rectification Notices/Incidents – Major (Note 1)</i>	Number of incidents
Number of staff available in the Resource Pool (Note 2)	Average number of staff over the month
<i>Staff on payroll v staff committed under the contract</i>	Evidence that all staff that we pay for are on the payroll
Number of volunteer hours (Note 3)	Evidence of achievement of hours set out in Method Statement
Social Value	Achievement of SV commitments
Supply of management information reports	Achievement of timescale
<u>Notes to KPIs</u> 1. Major Incident is one which: <ul style="list-style-type: none"> • Adversely affects council reputation; • Constitutes a major H &S breach; or • Cannot be adequately rectified 2. The Council will have the contractual right to a refund for anything less than 100%, the KPI just further incentivises the contractor to deliver. 3. This KPI is for Street Cleaning only.	

3.6.5 Specific performance measures will be stipulated against each KPI and will result in a red, amber, green rating, these will be set out in the contract. The KPIs will be reported monthly and the council will be able to retain up to 5% of the monthly invoice against overall KPI performance. In addition, the following remedies available to the Council:

- Any Amber or Red measure will require a Rectification Plan (see Escalating Remedies below)

- Where there are more than three Red measures in a month, or a single measure is Red for any 3 months out of 6, then escalating remedies leading to termination will apply
- The measures in italics (in the table in 3.6.4) are particularly critical and where any are Red this will immediately lead to escalating remedies.

3.6.6 Escalating Remedies - The contract will use Rectification Plans, which will be produced and implemented to correct defects. The contract will differentiate between minor and major incidents and will include escalating remedies which are clear where payments/costs can be recovered, and which lead to the right to terminate the contract, step in, or engage a third party to rectify at the contractor's cost.

3.6.7 Emergencies - The contract will contain provision for the contractor to provide an operational emergency response and support service.

3.6.8 Discounts – The tender will contain two separate contracts that will be evaluated separately. Bidders will be able to offer a discount if they were to be awarded both contracts

3.6.9 Contract duration –The initial contract will be for a period of seven years. This broadly reflects the feedback from the soft market testing. The contract will also contain provision for an extension, or extensions, of up to a further seven years, providing the council with flexibility to determine any extension period based on factors such as contractor performance, service requirements and financial implications.

3.7 Contract Management

3.7.1 The contractor will be required to provide contract monitoring and management information reports to the council on a stipulated frequency. These reports will be agreed with the contractor and used in conjunction with the council's own direct monitoring and contract management activities. As part of the contract implementation process a Contract Management Plan will be drawn up based on the Council's contract monitoring strategy. A review of council staffing will be undertaken to ensure that sufficient staffing resources are available to deliver effective contract management for both contracts.

3.8 Route to Market

3.8.1 Whilst the council will be able to specify the overall scope of both contracts it will be difficult to fully specify the council's requirements in areas such as overall resourcing requirements, potential efficiencies through service redesigns, options around contract packaging and identification and allocation of operational risks. Consequently, it is being proposed that the council uses a Competitive Procedure with Negotiation (CPN) procurement process. The CPN allows the council the opportunity of negotiation with suppliers after receipt of initial submissions to refine overall service delivery requirements before inviting bidders the opportunity of submitting a revised final tender.

3.9 Bidder selection and tender evaluation

- 3.9.1 Using the CPN process the council will filter initial expressions of interest against a Standard Questionnaire (SQ) to shortlist companies having the requisite previous technical and operational experience. The council are able to short list to a minimum of three companies, however it is recommended that a maximum of five companies are shortlisted for each contract.
- 3.9.2 It is proposed to evaluate tender submissions, as set out in the table below, however there may be some minor amends to criteria and associated weightings following finalisation of service delivery and specification requirements. Final evaluation criteria will be set out in the published tender documents.

No.	Criteria	Method of measurement	Parks %	SC %
1	Contract Price	Parks - (Inverse proportionality compared to indicative budget) SS - Fixed Price (combination of scheduled and resource pool prices)	10	30
2	Resource provided (including equipment)	Indicative number (minimum) - points based against indicative or minimum	30	10
3	Resource composition	Balance across disciplines and levels i.e. supervisory	10	10
4	Quality Control	Method statement - how do you measure and monitor your performance to demonstrate you are fulfilling your obligations?	15	10
5	Volunteers: - number of volunteer hours provided - number of streets/areas adopted, events organised - confidence in ability to recruit and manage them	Method statement	N/A	5
6	Social Value	As per NSC SV policy	10	10
7	Staff Management, including recruitment and training	Method statement	5	5
8	Service Delivery	Method statement against complex areas of the spec where we expect genuine differentiation rather than off the shelf responses.	20	20

3.10 TUPE

- 3.10.1 It is likely that the re-provision of the services will be within scope of TUPE (Transfer of Undertakings (Protection of Employment) Regulations 2006). The tender documents will indicate that TUPE may apply and the council will broker TUPE

information. Final TUPE will be a matter between the outgoing and incoming contractors.

3.11 Timetable

3.11.1 The procurement timetable is set out below

Commissioning Plan to Council	May 2019
Tender period	May – Oct 2019
Final tender evaluation and award report to Executive (3 Dec)	Nov – Dec 2019
Mobilisation	Dec 2019 – March 2020
New contracts start	1 April 2020

4. CONSULTATION

- 1.1. The Executive Member for Environment has been kept informed of progress.
- 1.2. An all Member briefing was held in March in respect of future service delivery options.
- 1.3. A meeting has been held with Town and Parish Councils to discuss anticipated service outcomes and to explore areas where the Councils may want to procure additional services in their areas through the contracts.
- 1.4. Soft market testing has been carried out to gain an understanding of market capacity, options for packaging of works and optimal contract durations.

5. FINANCIAL IMPLICATIONS

- 1.5. The current contract has a base budget of £1.8m a year. At this stage the financial implications of any decision made is dependent on the procurement route taken and the options pursued. This is a key risk to the procurement process and it cannot be expected that any additional budgetary costs will be funded. The procurement process will help to identify the level of service possible for the budget available and review whether this level of service is both politically and statutorily acceptable, as well as being attractive to the market to bid.
- 1.6. The current contract has been in place since 2013. Due to the current terms of the contract, there has been very little inflationary growth during this period
- 1.7. Due to the reducing financial resources available to the Council as a whole at present, it is essential that this contract provides value for money. There may be circumstances within which contractual descoping or innovative solutions may be required in order to ensure affordability criteria are met. It is also important that the contract continues to be able to change with the longer term needs of the Council.
- 1.8. Any new contract will also require mobilisation costs and long-term contract management resource which will need to be identified as part of the process.

6. LEGAL POWERS AND IMPLICATIONS

1.9. Whilst there are no statutory requirements to provide parks and open spaces there is a duty on the council to meet the requirements of the Environmental Protection Act 1990 in respect of its Street Cleaning.

1.10. Any re-procurement of services covered by the existing contract will be subject to The Public Contracts Regulations 2015.

7. RISK MANAGEMENT

1.11. As indicated above there is a recognised risk that there will be pressure on future contract costs resulting from the inflationary price review mechanism with the existing contract. Officers will closely review specification and contract requirements to help mitigate cost increases.

1.12. Poor market engagement and onerous contract requirements could reduce the attractiveness of the contract. Specification and contract requirements will be reviewed to ensure that they do not present unnecessary risk to the market whilst protecting the councils overall service delivery requirements.

1.13. To ensure award of contract by December there is only marginal scope within the timescale for Project slippage. Management of the project timeline and the Project as a whole will be governed by a Project Board

8. EQUALITY IMPLICATIONS

Have you undertaken an Equality Impact Assessment? Yes

There are no direct Equality Implications arising from this decision.

9. CORPORATE IMPLICATIONS

The resultant contract(s) will sit within the operational areas of Development and Environment. There are no specific Corporate Implications with this decision.

10. OPTIONS CONSIDERED

Consideration has been given to the inclusion of the services covered by the P&SS contract into the existing Highways and Waste Recycling and Collection contracts. However, this has been discounted as it is not permissible under the Public Contract Regulations.

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BACKGROUND PAPERS

Report to Council 13 November 2012 – Award of Parks and Street Scene Contract.

Appendix A - Assessment of Commercial Pricing Options

Scope area	Feasible Commercial options	Pref Commercial option	Comments
PARKS			
Ornamental cutting	Frequency based/Outcome (height of grass) or Resource	Resource based	Frequency based leaves us vulnerable to weather related risk. 40% of the Parks resource is applied to this activity - resource based gives us required flexibility.
Amenity grass	Frequency based/Outcome (height of grass) or Resource	Resource based	Frequency based leaves us vulnerable to weather related risk. 40% of the Parks resource is applied to this activity - resource based gives us required flexibility.
Conservation grass	Frequency based/Outcome (height of grass) or Resource	Resource based	Frequency based leaves us vulnerable to weather related risk. 40% of the Parks resource is applied to this activity - resource based gives us required flexibility.
Scrub	Resource or Schedule of Work	Resource based	This is an activity that is undertaken as and when resource is available.
Bins	Schedule of Works or Resource	Resource based	Resource can litter pick if bins don't need emptying (we know it's 2 people). Outcome needs a lot of resource to measure.
Formal hedgerows	Frequency based	Schedule of Works	Outcome not measurable
Informal hedgerows	Frequency based	Schedule of Works	Outcome not measurable
Mixed bed	Resource or Schedule of Work	Resource based	In practice this work is done on an ad hoc basis when resource is available. Sched of Work would be too expensive - Resource based offers flexibility over affordability
Shrub bed	Resource or Schedule of Work	Resource based	In practice this work is done on an ad hoc basis when resource is available. Sched of

Scope area	Feasible Commercial options	Pref Commercial option	Comments
			Work would be too expensive - Resource based offers flexibility over affordability
Rural flail	Frequency (twice a year)	Schedule	2 cuts a year (low cost)
Hard courts	Resource or Schedule of Work	Resource based	In practice this work is done on an ad hoc basis when resource is available. Sched of Work would be too expensive - Resource based offers flexibility over affordability
Football pitch	Resource or Schedule of Work	Resource based	Grass cutting as above Remainder of the work (marking out, treatment, repairs) is difficult to predict. Linked to other factors such as weather and usage.
Rugby pitch	Resource or Schedule of Work	Resource based	Grass cutting as above Remainder of the work (marking out, treatment, repairs) is difficult to predict. Linked to other factors such as weather and usage.
Cricket	Resource or Schedule of Work	Resource based	Grass cutting as above Remainder of the work (marking out, treatment, repairs) is difficult to predict. Linked to other factors such as weather and usage.
Changing Rooms	Resource or Schedule of Work	Resource based	Linked to other factors like weather, usage. 1 person.
Tree Management	Some elements could be scheduled (e.g. pollarding) but this is only a sixth of the work, the rest is reactive.	Resource based	Budget only enables a 3 person team. Linked to inspections therefore can't predict workload sufficiently to produce a Schedule of Work.
STREET CLEANING			
Street Cleansing	Schedule of Work, Resource	Sched of Work for core activity e.g. town centre and resource for other non-core areas which are cleansed	Routine is easier to define in this area, so a Schedule of Work can be produced. To have a schedule for all areas would be too expensive so a resource will be required for these areas Will have seasonal,

Scope area	Feasible Commercial options	Pref Commercial option	Comments
		on an as required basis.	weather and other influences
Beach cleansing	Schedule of Work, Resource	Sched of Work for core activity and resource for other areas which are cleansed on an as required basis.	Routine is easier to define in this area, so a Schedule of Work can be produced. To have a schedule for all areas would be too expensive so a resource will be required for these areas. Will have seasonal, weather and other influences
Power Washing	Schedule of Work, Resource	Sched of Work for key areas and resource for other non-core areas.	Routine is easier to define in this area, so a Schedule of Work can be produced for key areas
Graffiti Removal	Schedule of Work, Resource	Resource required to deal with graffiti – cannot be predicted	Routine cannot be defined in this area as although some areas are known, the majority will be ad hoc
Removal of fly tipping	Resource	Resource	Cannot be predicted
Litter bins	Schedule of Work, Resource, Outcome	Sched of Work	Routine is easier to define in this area, so a Schedule of Work can be produced. Will have seasonal, weather and other influences
Dog bins	Schedule of Work, Resource, Outcome	Sched of Work	Routine is easier to define in this area, so a Schedule of Work can be produced. Will have seasonal, weather and other influences