

**Teignbridge District Council
Full Council
27 February 2024
Part i**

Report Title: Grounds Maintenance Contract

Purpose of Report

To seek Council's approval to retender the Grounds Maintenance Contract

Recommendation(s)

The Council RESOLVES to:

- (1) Retender the Grounds Maintenance Contract for an initial 5-year period with the option to extend for a further 5 years using a restricted tender procedure.**
- (2) Let a contract at a fixed price of £662,740.**
- (3) Include an annual CPI (Consumer Price Inflation) increase at the anniversary each year of the contract.**
- (4) Include a contract incentive payment of up to £15,000 measured by an annual customer survey alongside an assessment by the contract administrator to drive quality and performance.**
- (5) Delegate authority to the Head of Place and Commercial Services to undertake the above.**

Financial Implications

Please see the comments at Paragraphs 3.3, 4.1 and further potential implications in 4.4.

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Legal Implications

There are no specific legal obligations arising from this report save that it is imperative that the council complies with its obligations pursuant to the procurement legislation. Also, that it must continue to meet its statutory obligations in respect of grounds maintenance as referred to in this report.

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Procurement implications

Please see the comments at Paragraph 4.2

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Environmental/ Climate Change Implications

Please see the comments at Paragraph 4.3

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Risks

Please see the comments at Paragraph 4.4

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Appendices/Background Papers

Appendix 1 - Restricted Procedure - timescales for retendering
Appendix 2 - Examples of previous initiatives to lower emissions and enhance local biodiversity.
Appendix 3 - Wider risks and associated mitigations
Appendix 4 - List of Grounds Maintenance sites

1 Introduction/Background

The existing contract (the contract) delivers the maintenance and upkeep of public open spaces, including parks, playing fields, sports pitches, recreational areas, bowling greens, approach golf, cemeteries etc along with various added value ecological projects. The parks and open spaces provide important health and wellbeing opportunities for residents, attract visitors/tourists and are important for wildlife conservation. The grounds maintenance work is required to meet statutory or landowner obligations.

The contract was awarded in 2010 for a term of five years. It was extended for a further 5 years following satisfactory performance in line with the original included extension option. It was further extended by a Voluntary Ex-Ante Transparency (VEAT) Notice 10 February 2020. The

contract ends on 30 November 2024. Accordingly, there is a need to retender the contract to ensure grounds maintenance takes place as required and to enable the Council to meet its statutory obligations.

2 The Contract and Tendering Options

The contract will be put out to tender initially for 5 years on a fixed price of £662,740, with the option of extending by a further 5 years if standards and satisfaction levels have been maintained.

Rather than providing a specification and asking for a price, we will ask applicants “*what can you provide for £x?*”. This is called a performance specification rather than a conformance specification.

Releasing this tender without a budget being noted, increases the risk the winning bidder would quote a significantly higher amount than we are able to afford. Therefore, to reduce any risks of this happening, it is advised we release the tender with the budget.

Tendering Options

A contract will need to be awarded by August 2024, to allow suitable lead in times for the new contract to commence on the 1 December 2024. The options for tender are:

Option 1. Open Tender

Option 2. Restricted Tender procedure

Option 3. Further Competition via a framework

Option 1 Would risk interest from a cross section of suppliers which would have significant resource implications for the council to administer a full market open tender based on the anticipated volume and quality of tender returns. This approach would likely attract bids from applicants who would lack suitable experience or capabilities.

Option 2 The Restricted Procedure is a two-stage process. The first stage is a selection process where the bidders’ capability, capacity, and experience to perform the contract is assessed against a predetermined set of criteria. This means the number of bidders would be reduced to a maximum of 5 suppliers for the second stage, where detailed bids are assessed to determine the most economically advantageous tender based on quality and price.

Option 3 is the quickest route to market; however, it would mean that some local companies may not have the opportunity to bid, which is against our social value objectives.

The preferred option is **Option 2** Restricted Tender procedure. As it provides a route to market which will ensure that the opportunity is open to the full market, but suppliers will be shortlisted down to a maximum of 5 bids to enable detailed scrutiny and evaluated using an agreed methodology.

Appendix 1 - Restricted Procedure - timescales for retendering

3 Supporting information

3.1 Assessment of the current contract

The current grounds maintenance contractor has performed well overall over the life of the contract. The contractor has delivered the added value initiatives offered as part of their initial bid and have also delivered considerable savings. As follows:

- A flexible and responsive service
- No indexation over the length of the contract (TDC covered Living Wage Increases)
- Taken on additional work during the Contract, Dawlish Lawn, Shaldon Approach Golf, Cemeteries (including burials) and 22 closed churchyards.
- Passed on 50% of the Contract incentive payment to the staff.
- Helped maintain 4 green flag awards.
- Gained a British Association of Landscape Industries Award (BALI) for Courtenay Park
- Delivered several social value projects with local colleges, community, and friends' groups.
- Assisted in planting over 7000 small trees (whips) as part of added value element of the contract.
- Provided one standard tree for each member of staff annually (16 per year for 4 years)

The grounds maintenance contract mainly comprises the management and maintenance of land and facilities in the district's parks and open spaces including:

- grass cutting
- closed churchyard maintenance.
- cemetery maintenance and services
- Shrub and rose beds.
- Summer bedding
- Wildflowers
- Herbaceous borders/ Bog Garden
- Hedge management
- Litter picking
- Leaf clearance
- Maintenance of Bowling Greens
- Pitch and Putt golf maintenance
- Sports Pitches maintenance
- Other miscellaneous work, e.g., maintenance of ditches, edging of grassed areas etc.

Appendix 4 - List of Grounds Maintenance sites

The contract does not and will not include the Suitable Accessible Natural Green Space sites (SANGS) Dawlish Countryside Park & Ridgetop, or any of the sites currently managed by our in-house Ranger service e.g., nature reserves, SSSI at Decoy and Dawlish Warren and various historical woodlands. They are dealt with under separate arrangements.

The contract was let on a fixed price basis, and the evaluation was on quality only (contract performance and public perception). This gave the advantage of a known budget that was

affordable and has resulted in a very good partnership contract over the years. The contract also had a contract incentive payment, the contractor was able to access up to £15,000 per annum depending on performance. This is measured by an annual customer survey alongside an assessment by the contract administrator. The contractor typically earned approximately £13,000 and 50% of this was given to the contract operatives as an annual bonus payment.

It is preferred that an incentive payment features in the new contract as it worked well to manage budgets and drive performance.

The current contractor pays £30,000 per annum for the use of Cross Park Nursery. This income is not guaranteed going forward. The asset is also in the local plan for potential residential use.

3.2 Mandatory/Statutory work

The Council has statutory duty to provide and maintain cemeteries and to maintain many closed churchyards within the district. This is obviously something that would need to be undertaken in any event. In addition to the statutory obligations the council also has contractual obligations to maintain an amount of land within the district of which it is the leaseholder.

As a landowner the council also has obligations to manage and maintain its other green spaces to ensure they are safe and fit for purpose.

3.3 Contract reduction

In the current financial climate, the council needs to deliver ongoing budget savings. The council-wide Modern 25 programme was initiated in 2022 with the objective of delivering a new operating model for the council and delivering £2.6m of phased benefit savings by April 2026. To achieve this target consideration must be given to reducing the cost of discretionary services, such as the maintenance of some open space assets. Significant savings opportunities related to the ground's maintenance contract have been identified within Modern 25, including the removal of the performance incentive payment and the disposal/transfer of assets.

A strategic Asset Management Review project will run concurrently to the re-tender process to develop a new Asset Management Framework, which will inform our approach to evaluating our land and buildings and taking action to develop a more effective and efficient asset portfolio.

The grounds maintenance contract specification will therefore include an allowance to reduce the contract value in line with significant reductions in park and open space assets following transfer or disposal.

Continuing the service at existing budget will eliminate the ability to deliver substantial savings in this area of activity and will require exploration of savings elsewhere to make up the shortfall.

4.0 Implications, Risk Management and Climate Change Impact

4.1 Financial

The current contract is not index linked and has delivered substantial ongoing savings already. It ran for ten years at a fixed price, the VEAT extended the contract by four years but included an annual National Living wage uplift.

There is an incentive payment of £15,000 per annum which softens the impact of no RPI (Retail Price Index) annual increase as it is shared equally between the business and employees. The incentive payment budget is not built into the contract sum. The budgeted cost of the current contract for 2024/25 is £662,740 which includes an annual living wage uplift of £34,260 but excludes any ad hoc works and the incentive payment. The sum is based on annual contract performance, surveys are undertaken both online and at open space roadshows with feedback collated to reflect the five KPI's of the contract, client observation and an annual contract reports also contribute to the overall sum awarded. This process promotes staff incentives and rewards their efforts throughout each year of the contract based on overall performance.

It is proposed the future contract will be index linked by means of CPI (Consumer Price Inflation) as at the anniversary each year of the contract. The £15,000 annual incentive payment to continue but the National Living Wage uplift will cease.

4.2 Procurement Officer

To comply with the Public Regulations 2015, it is recommended to conduct a full procurement exercise. Quality and climate change impacts will be built into the tender documents via an added value element of the tender process and given an appropriate weighting. The risk is that the costs will increase as the current contract is not index linked. However, a bigger risk is that we are non-compliant and get legally challenged if we were to not go out to the market.

4.3 Environmental/Climate Change Impact

The incumbent grounds maintenance contractor features consistently within the councils top ten suppliers by carbon emissions based on the spend based approach to emissions reporting. There is therefore scope to engage with the prospective future supplier to establish how we can work together to reduce our supply chain carbon footprint by capturing opportunities for continual quick wins to reduce carbon whilst supporting the natural environment. Such approaches could include:

- Electric/Battery machinery and small equipment used, where feasible
- New technology for monitoring fuel and continuing to monitor carbon emissions.
- Route planning to minimise fuel consumption.
- Modern vehicles to Euro 6 emissions standards
- Explore opportunities for ultra-low emissions vehicles.
- Increased recycling projects
- Sourcing supplies and materials locally

- Continued support for local biodiversity initiatives.
- Additional tree planting schemes where appropriate
- Rewilding of suitable locations
- Design planting schemes to attract pollinators and improve bio – diversity.
- Explore options for more sustainable planting.

Examples of potential future improvements

A longer-term contract should give the opportunity to invest in new methods of working and enable investment in more efficient equipment. We will be asking perspective tenderers to include a commitment within their tender to continue to work with and assist community groups with nature recovery and open space ecology improvements which contribute to improving open spaces for the benefit of wildlife and pollination.

We will also look for a commitment to provide trees in relation to staff numbers (at least one per staff member per year) on contract for the term of the contract annually. And the provision of added value by offering free labour to progress whip and tree planting schemes across the district. Other opportunities:

- Chip and re-use more material from green waste created as part of contract operations.
- Increase recycling and separation of general waste collected.
- Where possible and feasible use more eco-friendly methods of transport and equipment.
- Source goods and services locally to reduce carbon footprint further.

Appendix 2 - examples of previous initiatives to lower emissions and enhance local biodiversity.

4.4 Risks

The main risk is falling out of contract and not appointing a suitable contractor to meet the Councils statutory and landowner legal obligations.

The contract price will be fixed apart from the recommended inclusion of CPI. The soft market testing indicates the industry would expect a higher contract value than we are able to offer. There is a likely reduction of standards leading to a potential increase in complaints, accidents leading to civil claims and reputational damage. This would however be mitigated by the inclusion of CPI, which was not a factor in the previous contract and progress being made on the work the Council is undertaking to review its Assets, including those maintained under this contract.

A new contractor may not want to use Cross Park Nursery which would reduce income by £30,000 and increase the risk their staff would travel further to get to work.

There are specific timescales associated with the tendering process and a decision is required to allow us to undertake the required due diligence and assess any applicants effectively, so we achieve the best value for money and achieve the quality expected.

Appendix 3 – wider risks and associated mitigations for additional risk information.

5.0 Alternative options other than the preferred option

The following section provides an assessment of potential alternative options:

5.1 Retender at current fixed contract value for 5 years with option to extend by 5 years without CPI.

Previously the grounds maintenance contract was fixed for 10 years without RPI but with national living wage applied when the 4-year Voluntary ex ante transparency notice (VEAT) began in 2020. However, it is recommended that we base the new contract on CPI (Consumer Price Inflation) which is the measure of inflation in the United Kingdom.

5.2 Increase the value of the contract to reflect the outcome of the soft market testing.

The figures from the recent soft market test indicate an average cost for a contract of this size to be significantly higher than the budget we have available. Any increase in budget would have an impact on the council's financial position but would reduce the anticipated impact on the standards of our parks and open spaces. Additional budget would need to come from other council budgets and would ultimately impact on the other services the council provides.

5.3 Voluntary ex ante transparency notice (VEAT).

It states to the market that we haven't followed the Public Contracts Regulations 2015 along with a justification of why we haven't followed the rules. In essence, a VEAT notice is used when a public authority does not create an opportunity for competition in the European market. The reason for advertising in the European Market is due to the price of the contract being over the threshold for the Public Contracts Regulations 2015 threshold.

Another VEAT notice with the same justification as the previous VEAT is not recommended. We could face a challenge from the Crown Commercial Service that could lead to legal proceedings, reputational damage, and loss of contractors.

The only justification we could use for another VEAT notice would be bringing the grounds maintenance contract back in-house. This has been explored with support from the Modern 25 team, with input from Torridge and South Hams/West Devon Council who have in house provision. This demonstrated the value and benefits of the contract we currently have in place.

5.4 Bring service in house.

To bring the service in-house, the set-up costs would be significant. It would require substantial investment in a contract base, vehicles, plant, and equipment along with the TUPE of operational staff to the Council. The new staff and work would require additional

management/supervision and support services resources e.g., Human Resources and Health and Safety.

Cross Park Nursery would be the only suitable base to accommodate vehicles, plant, and equipment necessary for ground maintenance operations. This would result in a loss of income, cost of repairs and maintenance to the facility, utility cost, site security. Impact on the authority's vehicle workshop to facilitate vehicle, equipment and plant repairs and maintenance, all contributing to ruling out the in-house provision option.

6.0 Conclusion

For the reasons set out in this report it is recommended that the council approves the recommendations.