



AGENDA ITEM: 5(1)

**CABINET :
24th May 2005**

Report of : Deputy Chief Executive

Portfolio Holder : Councillor Iain Ashcroft

Contact for further information : John Ryding (Extn. 5022)

SUBJECT : GROUNDS MAINTENANCE SERVICE

District wide interest.

1.0 PURPOSE OF THE REPORT

1.1 The purpose of this report is to obtain Members' instructions in respect of the operation of the Grounds Maintenance service when the current contract with Enterprise plc., ends on the 31st March 2006.

2.0 RECOMMENDATIONS

2.1 That Members consider the options for 'the way forward' as detailed in paragraphs 8.5 and 8.6 of the report in respect of the Council's Grounds Maintenance work, when the current contract with Enterprise ends on the 31st March 2006.

3.0 BACKGROUND

3.1 Under Compulsory Competitive Tendering legislation, a Grounds Maintenance contract was awarded for approximately 67% of the Council's annual regular Grounds Maintenance work to Brophy plc. The contract commenced on the 1st April 1999 and was for a five-year period with an option to extend for a maximum of a further five years.

- 3.2 Brophy plc., were bought by Enterprise plc., and they took over the operation of the contract.
- 3.3 Enterprise then sub-contracted the work to a separate company called 'Street Care' which was set up specifically for the purpose (and at Enterprise's instigation) by a number of ex-Enterprise managers.
- 3.4 The contract has been extended for two separate periods of one year and has a current expiry date of the 31st March 2006.
- 3.5 Under the terms of the contract the Council has an option to extend for a further maximum period of three years (i.e. the maximum extension of five years would then have been reached).
- 3.6 The remaining 33% of the Council's annual regular Grounds Maintenance work is carried out by a small team of Council employees.

4.0 COMMENTS ON PRESENT ARRANGEMENTS

- 4.1 Under terms agreed by Enterprise, the Council's day-to-day contact for the contract works is with the owner of the sub-contracting company (Street Care).
- 4.2 The Council's 'client officers' are satisfied with the standard of work being achieved by Street Care and the working contractual relationship is very good involving a true spirit of co-operation and the working towards a common goal (i.e. to carry out good quality Grounds Maintenance work).
- 4.3 A Best Value Review of Grounds Maintenance (carried out in 2001) revealed no problems with the contract rates.
- 4.4 The work being carried out by Council employees benefits from the contract with Enterprise.
- 4.5 We have been able to benchmark our costs and performance against Enterprise and the unit costs of the in-house operation is now no more than that of Enterprise. In fact, we have been able to use the contractor's bulk buying capacity to assist us in the purchase of material and equipment.
- 4.6 What is more, by not having a position where one contractor carries all the Council's work we avoid the disadvantages of a monopolistic position (in broad terms the contractor keeps the in-house team on their toes and the in-house team keeps the contractor on his toes!).

5.0 CONTRACT STRUCTURE

- 5.1 The annual regular Grounds Maintenance work covers all the soft landscape areas which the Council is responsible for, these are principally; woodlands, shrub beds and grass.

5.2 All soft landscaped areas fall into one of three categories which are accounted for separately under the Council's funding arrangements:

- (i) Highways – this is the responsibility of the Highway Authority (Lancashire County Council) who provide the Council with funding. The areas of land involved are adopted and are generally those abutting main roads but often the land in question will be a strip between two and six metres wide from the side of the road. This means that in many areas a single plot of grass is partly adopted and partly not.
- (ii) Housing – this is land which is maintained at the cost of the Housing Revenue Account and which is, principally, associated with Council housing areas. This land will become the responsibility of the new Registered Social Landlord (West Lancs. Homes) after Housing transfer.
- (iii) Amenity – this is all other land which the Council is responsible for that does not fall into the above two categories.

5.3 As the land falls into the three categories listed above, it means that, inevitably, a single plot of grass or shrubbery can often fall into more than one category. For example, a grass bed that is 20 metres wide and which is bounded on one side by a main road and on the other side by housing, could be split up as follows:

- Two metres from the road will be Highways.
- Five metres from the edge of the dwellings will be Housing.
- The 13 metres in between will be Amenities.

5.4 This presents a rather complex position as whilst this is a single plot of grass and can be plainly seen to be such, its maintenance falls to three separate funding streams.

5.5 A rather undesirable situation could arise if Lancashire County Council, West Lancashire District Council and West Lancs. Homes all separately maintained the respective areas and each of those three bodies had different maintenance regimes. The plot of grass referred to in paragraph 5.4 would, therefore, be subject to three different maintenance regimes, some parts of it being cut more often than other parts.

5.6 The operational difficulties would be immense. Economies of scale would be completely lost. The visual aspect would be problematical.

5.7 We have historically maintained the Highway landscaped areas on behalf of Lancashire County Council and they have provided funding towards this. However, the funding is for a lower level of maintenance than the Council carries out. For example, in 2004/05 the County funding was approximately £164,000 but the cost of that work was around £288,000. The shortfall being made up by the District Council.

5.8 It must be noted that the County Council are adamant that they will not provide additional funding and that their maintenance regime is solely driven by considerations of safety and necessity and not by any considerations of visual impact.

6.0 COMBINED CONTRACT

6.1 The best solution (from a visual impact perspective) is to have the ground areas of Highways, Housing and Amenities combined together in a single contract(s) with a single maintenance regime. This provides economies of scale and ensures a consistent visual aspect to the soft landscaped areas.

6.2 Lancashire County Council would appear happy that the historic arrangement continues and the Arena Housing Association (who will be the parent body of West Lancs. Homes) appear to be more than happy for the Council to approach Grounds Maintenance in the way set out in paragraph 6.1 (above).

6.3 It may be, however, that the Housing Corporation (who control all Housing Associations) may not want West Lancs. Homes to be perceived to be allowing the Council to discharge some of its responsibilities. It may be possible to overcome such an objection if the work is jointly commissioned by the Council and West Lancs. Homes.

6.4 As the inception date for Housing transfer is the 1st April 2006 it will be impossible to let any new contract without taking account of the implications of a 'yes' vote and, therefore, West Lancs. Homes becoming responsible for the maintenance of the Housing areas.

7.0 STREET SCENE UNIT

7.1 In December 2004 the Council established a Street Scene Unit on a pilot basis under a designated manager.

7.2 The purpose of the pilot was to bring together the Grounds Maintenance and Street Cleaning work to test how these could work more closely together (in this respect it must be borne in mind that all Street Cleaning is carried out by Council employees whilst 67% of the Grounds Maintenance work is by a contractor and 33% of Grounds Maintenance work by Council employees).

7.3 The pilot is to be for 12 months and will come to an end and produce some conclusions around Christmas 2005.

7.4 Members should also be aware that when the Council's stock of dwellings is transferred to West Lancs. Homes, not only will they take responsibility for substantial areas of soft landscaping but also there are areas of unadopted paving will become their responsibility too.

7.5 At the moment the Council's employees clean all areas of public land, be they adopted or unadopted. Negotiations will have to take place with Arena to

establish how they wish the public areas which will become their responsibility to be cleaned after Housing transfer, i.e. after the 1st April 2006.

8.0 THE WAY FORWARD

- 8.1 It must be borne in mind that a tender exercise takes a minimum of nine months beginning with an advert asking interested companies to apply for inclusion on the tender list. Therefore, for any new contracts to commence on the 1st April 2006, an advert would need to appear in relevant publications at the beginning of July 2005.
- 8.2 In September, relevant companies would then be invited to submit tenders with a tender return date of the end of October. It must be remembered that to invite tenders in mid-September, tender documents will have to have been compiled and it will take around four months to produce those documents, (i.e. commence production of tender documents in May 2005).
- 8.3 If any tender exercise were to commence with an advert in July 2005, this would be before the LSVT ballot which is scheduled for Autumn 2005. It would also be before the results of the Street Scene Unit pilot, which are due in December 2005, have been produced.
- 8.4 The minimum contract period for any new Grounds Maintenance contract must be five years to allow a contractor to get a reasonable return on the substantial investment in machinery, etc., that would have to be made.
- 8.5 Options for "the way forward" could be broadly summarised as follows:
- (i) A new contract for 67% of the Grounds Maintenance work. The Council's employees could then carry out the remaining 33% (i.e. as existing arrangements). This provides the joint advantages of preventing a monopoly position arising but having a private sector benchmark for our own employees to work against.
 - (ii) Tender 100% of the Grounds Maintenance work – this would result in a monopolistic position for the successful contractor. (It is unlikely this monopoly could be avoided as if the work were divided into two contracts it is unlikely that the contracts would be large enough to be attractive to the market).
 - (iii) Bring 100% of Grounds Maintenance in-house (i.e. all work carried out by DLO). This would mean a TUPE transfer from the contractor and the Council having to invest in a substantial amount of new equipment.
 - (iv) The Council could tender only the land, which is 'Amenity', i.e. that which is, and will remain, the Council's responsibility. Lancashire County Council and West Lancs. Homes could then be told to make their own arrangements. This would only be a viable option if the LSVT ballot results in a vote in favour of Housing transfer and one inevitable

result will be a visual aspect which will produce much comment and criticism.

- (v) All the Street Cleaning and Grounds Maintenance work could be put together and tendered in a single contract. This would create one contractor who would have a monopolistic position in respect of Street Cleaning and Grounds Maintenance throughout the District. To avoid this, two contracts could be created but this assumes that smaller contracts would be appealing to the market. We would also need to thoroughly check the market to ensure that there are competent and willing contractors who can carry out both Street Cleaning and Grounds Maintenance work. Furthermore, if any such contract were to be tendered this year, it would do so before the results of the Street Scene Unit pilot are known.
- (vi) The existing Grounds Maintenance contract could be extended for a further year until the 31st March 2007. This would require the agreement of Arena and Lancashire County Council but as both these agreements are likely to be forthcoming, it could be a reasonable way to proceed. New arrangements could then be put in place during 2006 when the results of the LSVT ballot are known and the Street Scene Unit pilot has reported.

8.6 One variation to the proposals contained at (vi) above, is that we could negotiate with the sub-contractor who actually carries out the Grounds Maintenance work and by so doing cut out the "middle man". This should reduce cost whilst maintaining a good level of service. However, if this option were to be pursued, an exception would need to be given to Contract Procedure Rule No. 7, which would thereby allow the Council to enter into a new contract without a tender exercise.

9. FINANCIAL AND RESOURCE IMPLICATIONS

- 9.1 The cost for carrying out all grounds maintenance during 2004/05 was approximately £1,400,000. and was allowed within the Council's budgets.
- 9.2 Any change to the work specification may have an effect on the cost of the work (and consequently an impact on budget).
- 9.3 If the current arrangements are extended for another year the work should be contained within (anticipated) budget levels.

10. SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

- 10.1 The methods used to carry out the work allow opportunities to embrace sustainability principles (e.g. peat free compost, naturalised areas where minimal work is undertaken).

10.2 If the existing arrangements for Grounds Maintenance are extended this will provide a period in which the operational requirements of any future contract could be examined with a view to further embracing sustainability. This could also contribute to the Community Strategy 'priority issue' of "maintain and enhance the wildlife, wild places and landscapes that are distinctive of West Lancashire".

10.3 This report has no significant impact on crime and disorder issues.

11. RISK ASSESSMENT

11.1 Risk can be reduced by:

- (i) not putting a contractor in a monopolistic position;
- (ii) not entering into any contractual arrangements (prior to the results of the Street Scene Unit pilot) that then may be difficult to disengage from;
- (iii) not entering into any arrangements which rely on a specific result from the LSVT ballot before the results of the ballot are known.

11.2 Grounds Maintenance is a 'Schedule B' service under the European Services Regulations so negotiating with the existing sub-contractor, as set out in paragraph 8.6, would be allowable under European Procurement rules.

12. CONCLUSIONS

12.1 The current Grounds Maintenance Contract with Enterprise plc., ends on 31st March 2006.

12.2 The Council needs to decide how Grounds Maintenance will be carried out after that date.

12.3 Some factors which have an impact on this matter are:

- (i) Highway work is the responsibility of the Highway Authority.
- (ii) If the Council's stock of dwellings is transferred to West Lancs. Homes, that organisation will become financially responsible for all 'Housing' land.
- (iii) The Street Scene Unit pilot will not report before December 2005.
- (iv) Any tender exercise for a contract to begin on 1st April 2006 will have to publicly commence in July 2005 with an advert asking for interested contractors to apply for inclusion on the tender list.

12.4 Paragraphs 8.5 and 8.6 suggest some options on how the matter could be taken forward.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Appendices

There are no appendices.