

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> 23 January 2014	<b>Decision Taker:</b> Cabinet Member for Transport, Environment and Recycling
<b>Report title:</b>		Gateway 1 & 2 - Procurement Strategy Approval and Award of Contract: Integrated Parks Grounds Maintenance Contract	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Head of Public Realm	

## RECOMMENDATION S

1. That the Cabinet Member for Transport, Environment and Recycling confirms his prior verbal approval of the procurement strategy outlined in this report for the integrated parks grounds maintenance contract namely to undertake a single supplier negotiation for the reasons detailed in paragraphs 12-15.
2. That the Cabinet Member for Transport, Environment and Recycling approves the award of the integrated parks grounds maintenance contract to Quadron Services Limited for a period of one year with the option to extend by a further six months. The award will be given effect by way of a variation to the existing contract. The new contract period will therefore run from 1 April 2014 to 31 March 2015 or September 2015 if the additional six month option is taken.
3. That the Cabinet Member for Transport, Environment and Recycling approves the council entering into a Deed of Variation with Quadron Services Limited for the total contract value including payment of the London Living Wage.
4. That the Cabinet Member for Transport, Environment and Recycling approves the exemption from Contract Standing Orders as provided in CSO 4.4.3 of Contract Standing Orders to enable negotiation to take place with a single supplier.

## BACKGROUND INFORMATION

5. The council currently procures services for the provision of grounds maintenance for parks and open spaces with Quadron Services Limited as the term contractor.
6. In March 2004 the Executive approved the award of the integrated parks grounds maintenance term contract to Quadron Services Limited, for a period of four years and eleven months from 3 May 2004 with an option to extend the contract term for a further five years.
7. In October 2008 the finance director approved the contract extension of the integrated parks grounds maintenance term contract for a period of five years from 1 April 2009 to 31 March 2014.
8. There are no further extension provisions within the current contract conditions.

9. The contract is borough-wide covering some 97 sites including five major parks, 33 local parks, 15 gardens and squares, two sports grounds, three cemeteries and 39 other open spaces.
10. The contract is based on six operational areas centred on the major parks; Burgess, Dulwich, Geraldine Mary Harmsworth, Peckham and Southwark, and cemeteries. The scope of the services within the contract include:
  - Grass, shrub and rose bed maintenance
  - Maintenance of hedges and young trees
  - Seasonal bedding supply and maintenance
  - Litter management, sweeping and cleaning including
  - Leaf clearance
  - Litter and dog waste bins
  - Dog waste removal service
  - Sports pitch maintenance including
    - Football pitches
    - Cricket tables
    - Bowling greens
    - Artificial surfaces
  - Maintenance of water features
  - Park attendants
  - Gate opening and locking service
11. The contract is largely output based. However it sets out minimum inputs and frequencies that the council believes are required to achieve the specified standards. The contract is priced on an annual unit basis for each type of work (e.g. grass cutting) and full quantities of work for each site are provided within the bills of quantities.

### **Summary of the business case/justification for the procurement**

12. The council's current parks grounds maintenance contract will expire on the 31 March 2014.
13. Mindful of the need to prepare for establishing new contract arrangements parks officers began to consider procurement options that were available including letting a new contract in collaboration with other authorities, internalising the service or continuing with a traditional tender process.
14. The considerations set out above have delayed the start of the new procurement process; however, during this time the picture has become more rather than less complicated due to the emergence of a number of additional key factors such as the following:
  - Expansion of interest in managing parks from voluntary sector and social enterprise groups with questions as to what the balance should be between council and third party/sector managed sites. Lambeth are currently working on a consultation report to consider this option further.
  - Questions regarding who is best placed to manage sports provision in parks including the facilities at Burgess Park, Geraldine Mary Harmsworth Park, Southwark Park, St Pauls Sports Ground and Southwark Sports Ground.
  - Questions as to what role the leisure services provider should play in parks.
  - Consideration of the benefits of internalising the parks grounds maintenance service alongside other grounds maintenance services currently carried out. The

maintenance of trees will be undertaken internally from April 2014 and this will be reviewed further once it has had time to establish in order to assess the early results.

15. It is recommended that prior to a decision on the procurement of a longer term contract a full strategic assessment of future of these services and the role of the grounds maintenance contract in delivering some or all of them be completed. Officers are currently working on the options for this project, and intend to produce proposals for the long term procurement of this contract in June 2014.

### **Market considerations**

16. There is an existing, mature and competitive market for grounds maintenance services from a range of specialist contractors currently providing services for London authorities.

## **KEY ISSUES FOR CONSIDERATION**

### **Options for procurement route including procurement approach**

17. Officers recognise that the absolute imperative is to undertake a wider strategic review of a range of services and options available and once completed determine how best to procure these services. Officers aim to complete this review and propose a direction by June 2014 so that the new contract(s) can be put in place for April 2015 with an option to extend this contract by a further six months if additional work is necessary.
18. In following this approach it is recognised that the range of procurement options for the short term delivery of the grounds maintenance service is severely limited. A brief summary of the options is provided below.

### **Option 1 – Single supplier negotiation with current contractor for a one year plus optional six months contract**

19. There is no remaining extension option within the current contract and therefore further approval (this report) would be required to agree a one year plus optional six month contract with the current contractor on the basis of a single supplier negotiation. This option would allow continuity of service whilst officers further explore the strategic requirements and subsequent procurement options to best deliver these.
20. Based on the known performance of the incumbent provider, stakeholder and customer satisfaction and the ease of transition Option 1 has been adopted as the most beneficial short term option.

### **Option 2 – Shared services / Joint procurement**

21. A number of authorities across London are considering a joint procurement / shared service option with a view to deriving savings from their future grounds maintenance contracts. However, for this to be beneficial such an alignment would in all probability have to be with a neighbouring authority.
22. However this option cannot deliver new contract arrangements for April 2014. Officers will continue to explore the possible benefits for the longer term future options under the arrangements set out in paragraph 15.

### **Option 3 – Internalise the service**

23. The in house Southwark cleaning team deliver a separate grounds maintenance service for both housing and highways. An option could therefore be to internalise the parks grounds maintenance contract to create a fully integrated service.

24. Cabinet has taken the decision to internalise the stand alone tree service from April 2014. However it is not recommended that internalisation of the grounds maintenance service be pursued at the current time to enable Southwark cleaning management to focus on preparation for taking over the tree service. More detailed consideration of this option should be taken as part of the future options assessment.

#### **Option 4 – Retender (Status Quo)**

25. The most straightforward procurement route would be for the council to develop a contract specification and procure from the market a specialist grounds maintenance partner to deliver the identified services. This option enables a single service provider to be procured under a competitive tender process. This approach was used to procure the current contractor.
26. However there is insufficient time to undertake a full procurement exercise and this is therefore not a feasible option to put in place new arrangements for 1 April 2014 and would distract resources for the wider considerations of the long term procurement of these services as set out in paragraph 15.

#### **Option 5 - Join an existing grounds maintenance framework contract**

27. A national framework agreement for the provision of grounds maintenance services has been established through a collaborative procurement exercise undertaken by the public sector buying consortia comprising the 'Pro5 Group'. The framework is available for use by any educational establishment, including academies, local authority or public sector body within the UK.
28. A 'mini tender' exercise would need to be undertaken to select a grounds maintenance supplier from those eligible within the London region.
29. The council has developed its own bespoke contract documents for parks grounds maintenance services over the past ten years in order to deliver high quality service provision.
30. It would take a minimum of six months to complete this option which would include: a full review of the contract documents available, TUPE consultation, mini tender and the approval process. It may also be considered to be a retrograde step to use generic contract specifications.

#### **Proposed procurement route**

31. In order to carry out a full strategic assessment of the scope of any future services, a short term solution is required for the continuation of the current parks grounds maintenance service. Having considered all the risks and benefits associated with the options identified, it is proposed that Option1 – single supplier negotiation with the incumbent contractor, represents the only practical short term solution to ensure continuous service provision.
32. Contract performance of the contract is reported via a monthly local performance indicator which provides an average performance across the six operational areas i.e. composite score. Assessment is based on random site monitoring inspections whereby each element of the contract e.g. grass cutting is assessed and scored. The contract includes an agreed minimum performance target of 90 per cent.
33. Quadron Services Limited's contract performance has continued to improve during the contract period and they regularly exceed the agreed performance target. The average performance for the past two years was 93 per cent and performance is currently 93 per

cent for the year to date. Park stakeholders including ‘friends of’ groups are also happy with Quadron Services Limited’s performance. The latest customer satisfaction score for parks is 93 percent.

34. The company’s strong performance has assisted the council in gaining 17 Green Flags for parks in 2013. The Green Flag award scheme is the national benchmark standard for parks and green spaces and provides a high level of quality against which parks are measured. Quadron Services Limited has also recently won a national BALI (British Association of Landscape Industries) award for landscape maintenance at Burgess Park.
35. Officers have provisionally identified efficiency savings with the incumbent contractor, Quadron Services Limited. Details are set out in the closed report.
36. Officers believe that the contract is keenly priced having been originally subjected to a full competitive tendering exercise and further price tested in 2009. Officers are therefore confident that based on the high standard being delivered and the identified efficiency savings value for money will be achieved through the proposed arrangements.
37. A price testing exercise has been conducted via two neighbouring authorities to confirm the competitiveness of Quadron Service Limited’s current pricing on the two principal areas of the contract i.e. grass cutting and litter management. Although it is difficult to compare rates and costs without full consideration of the specifications and quality standards, the findings support officers’ view that the contract represents excellent value for money. Details are shown in the closed report.

#### **Timetable of procurement process followed**

##### **Procurement project plan (Key Decision)**

<b>Activity</b>	<b>Complete/Completed by:</b>
Forward Plan	January 2013
DCRB/CCRB/CMT Review Gateway 1/2: Procurement strategy and award report	19/12/2013 (DCRB) 9/1/2014 (CCRB)
Notification of forthcoming decision	22/1/2014
Decision/Sign off on Gateway 1/2: Procurement strategy and award report	30/1/2014
Scrutiny Call-in period and notification of implementation of Gateway 1/2 decision	7/2/2014
Contract Award	3/3/2014
TUPE Consultation period (minimum 3 months)	N/A
Contract start	1/4/2014
Contract completion date	31/3/2015
Contract completion date – if extension exercised	30/9/2015

#### **Identified risks and how they were/will be managed**

38. A number of risks associated with this procurement strategy and controls to mitigate them have been identified. Details are set out in the closed report.

## **Key / Non Key decisions**

39. This contract involves a spend in excess of £500,000 per annum and as such is a key decision.

## **Policy Implications**

40. Following engagement with local people through the council's budget process, the council plan identified a number of principles that would underpin the Fairer Future for all vision and guide the promises and objectives that were agreed through the council plan. The Fairer Future principles were updated in 2012/13 to include five core principles, two of which are relevant to the procurement of grounds maintenance services:
- spending money as if it were coming from our own pocket
  - making Southwark a place to be proud of
41. The award of a one year contract to the incumbent contractor, Quadron Services Limited will assist the council in maintaining the customer satisfaction target for parks.
42. The second Southwark spending challenge took place over the summer and early autumn 2013 and enabled residents to influence council spending priorities for 2014/15 and 2015/16. The results of this spending challenge will be used as a guide to budget setting for these two financial years. Positive feedback was received for parks budgets in the areas of 'protect' and 'increase'. Feedback included;
- "keep up standards at parks, they are so good"
  - "parks and open spaces are important in densely populated areas and good parks can help make savings elsewhere"
  - "increase budget for open spaces"
  - "protect parks and open spaces"
  - "more open spaces and parks"
43. The grounds maintenance service contributes to the Biodiversity Action Plan through protecting and maintaining open space and the delivery of the Open Spaces Strategy through the effective management of high quality open space and improving access to nature.

## **Development of the tender documentation**

### **Contract period**

44. The proposed contract term is one year with an option to extend by a further six months.

### **Contract form**

45. This contract will be given effect by means of a variation to the existing contract and therefore its form will remain the same i.e. predominantly performance or output based with minimum frequencies identified to achieve the specified standards. All existing contract terms and conditions will be included in this contract.

### **Contract specification**

46. The proposed contract award will be given effect by means of a variation to the existing contract terms and conditions and therefore the specification will remain the same.
47. The specification is such that it allows delivery of the following key requirements;
  - Ability to deliver pre-identified standards and continuous improvement.
  - Ability to deliver efficient and effective services while demonstrating value for money.
  - Ability to deliver best practice and innovation.
  - Able to provide flexibility to manage change and emerging priorities

### **Advertising the contract**

48. Non applicable.

### **Tender Process**

49. Single supplier negotiation with the incumbent contractor, Quadron Services Limited.

### **Tender Evaluation**

50. Standard tender evaluation will not apply to this contract as the award will be given effect by way of a variation to the existing contract. However once this report is approved officers will be in a position to confirm the identified contract savings as well as confirming the proposals for maintaining high standards of contract delivery and customer satisfaction with Quadron Services Limited.

### **TUPE implications**

51. TUPE will not apply as the award of this contract is to the incumbent contractor with a proven track record.

### **Plans for the transition from the old contract to the new contract**

52. The council will issue a deed of variation to Quadron Services Limited for this contract.

### **Plans for monitoring and management of the contract**

53. This contract will to be monitored and administered by the area parks operations team within the parks and open spaces business unit. The contract will be measured on a monthly basis. Performance will be analysed and both the contractor and client work together to bring about continuous improvement. Customer satisfaction scores will continue to be monitored via resident surveys which will be undertaken on a quarterly basis. The contract includes provisions for defaulting for poor performance and the ability to terminate the contract early.

### **Performance bond/Parent company guarantee**

54. The existing contract does not include provision for a performance bond or parent company guarantee and it is not considered to be beneficial to the council to include these items in the new contract.

## **Community impact statement**

55. The contract is borough-wide and covers the majority of parks and open spaces. The contract specification will seek to maintain and improve the quality of the service and customer satisfaction level, currently 93 per cent.
56. The impact of the grounds maintenance service will affect all communities/groups, residents, businesses, visitors and those that pass through the borough and will in turn improve the quality of life for all. Direct benefits are well maintained parks and open spaces that make an important contribution to the enjoyment of all. Continued emphasis on maintenance will especially benefit the most vulnerable members of the community i.e. the elderly, the disabled and young children. People in all areas of the borough are affected by the quality of the parks and their assets.
57. The Public Sector Equality Duty imposed by the Equality Act 2010 states that public authorities must give 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who share a protected characteristic (including disability) and those who do not. The procurement of this contract is not considered to have any detrimental impact on local people and communities.

## **Economic considerations**

58. Quadron Services Limited will continue developing the following:
  - Apprenticeship scheme. The contract includes provision for six horticultural apprentices per annum who are trained to NVQ2/3 level and retained within the contract work force on completion of their training.
  - Advertising opportunities in local press, and a range of publications to reach small businesses, ethnic minority owned business and social enterprises
  - Engaging with borough-wide employment programmes such as Southwark Works and Building London Creating Futures to support unemployed residents' access to training, skills and sustainable employment
  - Using local companies in their sub-contracting and supply chain arrangements

## **Social considerations**

59. The London Living Wage was not a consideration when the contract was first awarded and subsequently extended. The majority of staff currently employed on this contract are paid at the basic minimum wage and work exclusively within the borough.
60. The inclusion of the London Living Wage will enable the contract to achieve the following benefits:
  - continue to deliver a high quality service
  - continue to deliver high customer satisfaction levels
  - retain suitably qualified staff that are employed on this contract
  - attract high quality and suitably qualified staff when required
  - retain and attract staff domiciled within the London area



61. Compliance with the London Living Wage initiative is therefore proposed for this contract period in line with the council's commitment to extend this additional payment to contractors and agency staff.

### **Environmental considerations**

62. The contract requires that vehicles used by the contractor are 'clean and green' with classification specified as i.e. Euro Class III or equivalent as a minimum. Vehicles are required to be regularly emission tested and well maintained. In addition Quadron Services Limited currently operates nine electric vehicles on this contract.
63. The contract specification sets out requirements relating to the recycling and reuse of all green waste.
64. The scheduled use of pesticides is not permitted within this contract.

### **Staffing/procurement implications**

65. The extension of this contract and the subsequent management of the service will be managed within existing resources and there will be no changes to the existing parks and open spaces structure.

### **Financial implications**

66. Should this report be agreed it is expected that the efficiency savings can be achieved from April 2014.
67. The proposed contract includes the introduction of London Living Wage (LLW). The council is one of just nine councils nationally who have been accredited under this initiative.
68. In addition to the term contract value there is a separate budget provision for ad hoc improvements and items not covered by the contract e.g. sports pitch renovation, turfing and seeding, replacement planting and other horticultural improvements. This budget is allocated to a range of contractors and suppliers.

### **Legal implications**

69. Grounds maintenance is referred to as a Part B service under the EU regulations and as such the full EU regime does not apply. The council is therefore not obliged to follow the requirements of a full and OJEU compliant procedure for this procurement. Whilst the full EU regulations do not apply the council is obliged to treat all organisations equally and fairly and to act transparently.

### **Consultation**

70. Consultation on the existing contract was undertaken prior to the award to Quadron Services Limited. Council staff and stakeholder groups are familiar with the operation of the current contract.
71. Ward Councillors and other stakeholders including 'friends of' park groups are also updated via stakeholder meetings, newsletters and general correspondence. An annual parks conference is held with all key stakeholders and positive feedback was received on the performance of Quadron Services Limited at the last conference held in June 2013. All parties are happy with the contract performance and the standards being achieved.

72. The council arranges for customer satisfaction surveys to be undertaken with residents to test public confidence in our service provider. Surveys are undertaken on a quarterly basis and the latest customer satisfaction score for parks is 93%.
73. The Cabinet Member for Transport, Environment and Recycling is regularly updated on performance and other contract issues.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Head of Procurement**

74. This report is formalising a previous procurement strategy decision and seeking approval to continue with the existing grounds maintenance contract.
75. The options for this procurement are outlined in paragraphs 17-30. The report explains that whilst considering the options, officers identified other factors that need to be considered which has led to the need for a much wider review. This contract will continue to provide the services listed in paragraph 10 whilst a strategic assessment of the whole service is undertaken and new arrangements are procured. The duration of this contract will be for an initial 12 month period but will have the option of a further 6 month extension if required. Such a contract term is relatively short for this type of service and could make it less attractive to the market and therefore more expensive.
76. Paragraph 61 confirms that the negotiation undertaken has resulted in the current provider committing to pay its staff LLW which will help maintain and if possible improve on current standards.
77. The timetable to re-procure the new services appears quite tight and depending on the results of the review, the 12 month period may not be long enough. The option of an extension would however provide additional time should this be required.
78. As with any single supplier negotiation, it is important to demonstrate that value for money is being achieved. Paragraph 37 highlights that some benchmarking with neighbouring authorities has been done and this supports officers' view that value for money is being achieved on this contract. The report also highlights that performance on this contract has been good with satisfaction levels at 93 per cent. It would appear therefore that there is no reason why the council would not wish to continue contracting with the incumbent provider.
79. Paragraph 53 confirms that the existing monitoring arrangements will continue with resident surveys being undertaken on a quarterly basis.

### **Director of Legal Services**

80. This report seeks the approval of the Cabinet Member for Transport, Environment and Recycling to formalise the procurement strategy and agree the contract award in relation to the integrated parks grounds maintenance contract.
81. Contract Standing Orders 5.4 require all reasonable steps to be taken to obtain at least 5 tenders following a publicly advertised competitive tendering process for non-construction works and services over £75,000 and construction works and services over the EU threshold. Paragraph 31 of this report confirms that a different process is proposed. CSO 4.8 provides that, in exceptional circumstances, an exemption from the usual procedures set out in CSOs may be sought in advance through a gateway report. This report sets out the procurement options and the exceptional circumstances and explains why usual procedures can not be followed. It is confirmed that the proposed procurement strategy will still comply with relevant statutory and corporate requirements set out in CSO 2.1.

- 82. It is considered that these services are Part B services under the Public Contracts Regulations 2006 and therefore there is no requirement to publicly advertise this procurement in the Official Journal of European Union (OJEU) although the procurement must still comply with rules regarding non-discriminatory requirements, in particular, general EU Treaty principles relating to transparency, fairness and proportionality, which include a requirement to ensure adequate publicity/advertising.
- 83. The report highlights that best value will be achieved by incorporating a requirement for the London Living Wage.
- 84. CSO 4.4.2 (b) requires the relevant individual decision maker to authorise this proposed procurement process, after consideration of the report by the Corporate Contracts Review Board.
- 85. CSO 2.3 provides that no award may be made unless the expenditure involved has been approved. Paragraphs 66 to 68 confirm the relevant financial implications.
- 86. Advice should be sought from Legal Services in relation to the formation of relevant legal documents relating to this matter.

**Strategic Director of Finance and Corporate Services (E&L/13/048)**

- 87. This report seeks approval for the award of an integrated parks grounds maintenance contract. The financial implications detailed in the body of this report are noted, including commitment to paying London Living Wage as a minimum.
- 88. The council has set aside provision to help meet any cost increases associated with awarding London Living Wage within contracts.
- 89. The 2014/15 savings target will be subject to regular monitoring to ensure it is met. Any extension to this contract beyond March 2015 will be subject to formal approval process and the available budget. Officer time to implement this decision can be contained within existing resources.

**BACKGROUND DOCUMENTS**

Background Papers	Held At	Contact
None		

## AUDIT TRAIL

<b>Lead Officer</b>	Deborah Collins, Strategic Director, E&L	
<b>Report Author</b>	Des Waters, Head of Public Realm, E&L	
<b>Version</b>	Final	
<b>Dated</b>	23 January 2014	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments sought</b>	<b>Comments included</b>
Head of Procurement	Yes	Yes
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Head of Specialist Housing Services	No	Yes
<b>Contract Review Boards</b>		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>		23 January 2014

## CONTRACT REGISTER UPDATE

Contract Name	Integrated Parks Grounds Maintenance Contract
Contract Description	Parks Grounds Maintenance
Contract Type	Services
Lead Contract Officer (name)	Henry Thompson
Lead Contract Officer (phone number)	020 7525 0890
Department	Environment and Leisure
Division	Public Realm
Procurement Route	Single supplier negotiation
EU CPV Code (if applicable)	N/A
Departmental/Corporate	Departmental
Fixed Price or Call Off	Fixed Price
Supplier(s) Name(s)	Quadron Services Limited
Contract Total Value	Refer to Closed report
Contract Annual Value	Refer to Closed report
Contract Start Date	1 April 2014
Initial Term End Date	31 March 2015
Number of remaining contract extensions	1 (6 months)
Revised End Date	30 September 2015
Comments	None