

<b>Item No.:</b>	<b>Classification:</b> Open	<b>Date:</b> July 21 2009	<b>Meeting name:</b> Executive
<b>Report title</b>	Gateway 2 – Contract Award Approval Arboricultural Services Contract		
<b>Ward(s) or groups affected</b>	All		
<b>From</b>	Strategic Director of Environment and Housing		

## **RECOMMENDATIONS**

1. That the Executive approves the award of a contract for the provision of Arboricultural Services to Gristwood and Toms Limited, as is outlined in this report.
2. That the Executive delegates to the Strategic Director of Environment and Housing the authority to exercise the option to extend the Arboricultural Services Contract that is referred to in paragraph 6 of this report, if this is considered to be appropriate at the relevant time.

## **BACKGROUND**

3. The Council has determined a minimum annual purchasing commitment of £727,000 making a total contract value of £3,332,083 excluding Retail Price Index (RPIx) increases over the initial term of the contract.
4. The pre-determined model for the financial evaluation was set at the annual purchasing commitment level; tenderers rates were applied to this Model to provide a price.
5. The current contract allowed for an extension of three years however a further two months was required to conclude the award of the new contract. This extension will be agreed via a Gateway 3 report dated 18<sup>th</sup> June 2009 by the Strategic Director of Environment and Housing
6. The contract is due to commence on the 1<sup>st</sup> September 2009 for a period of four years and seven months in order to link the contract to the financial year. This contract makes specific provision for an extension of five years.
7. The decision to extend the Contract, based on satisfactory performance, will need to be taken twelve months prior to the completion of the initial term i.e. 1<sup>st</sup> April 2013. This would allow for a sufficient timescale for re-tendering the contract if required.
8. The contract rates will be increased annually from the anniversary of the first full year i.e. April 2011 and annually thereafter, using RPIx.
9. The timetable of the procurement process that was followed is set out in Appendix 1 attached.

## **Description of Contract Outcomes**

10. The Council is responsible for the direct management of over half of the borough's tree population comprising of; Housing Estates (20,000), Highways (15,000); Parks & Open Spaces (15,000); and Schools (2,000). The remaining trees are located on privately owned land.

11. The contract includes the provision of arboricultural services across the Council for the following disciplines:

Tree maintenance	Tree planting
Tree felling	Emergency service
Stump removal	Surveying
Root pruning	

12. The contract is based on a 'schedule of rates' system. This type of contract has a cost or 'rate' against all types of work which the contractor may be required to undertake. There are over 2,000 individual rates covering work items, site categories, tree sizes, multiples and hourly and daywork rates. The required works are predominantly identified via surveys and the appropriate unit rate is selected including daywork and emergency work rates where necessary. The annual contract spend is determined by the amount of work issued multiplied by the rates used.

13. The new arboriculture contract includes a number of key service improvements recommended by the Environment and Community Support Scrutiny Sub-Committee in their review of Southwark's Tree Service:-

- Better customer information: to enable residents to see when their tree is due for works by ensuring that up to date information is available on the web and where possible, leaflet drops to the areas affected.
- Notice of works: More notice prior to works undertaken will ensure that any objections and comments can be made giving residents more time to adjust to the disturbance to their environment, for example temporary closure of parking bays.
- Better use of the Customer Service Centre to enable residents to clearly identify problem trees with the possible use of mapping based systems to identify specific trees.
- Published and monitored target response times ensuring that the contractor provides a quicker response to all enquires and emergencies; the contract clearly states response times and the penalties imposed for failure.

14. Further service improvements to be provided by this contract include;

- Dedicated contract staff; management, administration and operational teams.
- Increase in staffing levels.
- Agreed minimum staffing levels.
- Investment and provision of new vehicles and equipment.
- Partnership arrangements including agreed profit margins and potential profit sharing.
- Volume discounts for works issued above the agreed Annual Purchasing Commitment level.

- Possible inclusion of an apprenticeship scheme.

## **KEY ISSUES FOR CONSIDERATION**

### **Tender Process**

#### **Stage One – Shortlisting**

15. Following the approval of the GW1 procurement strategy by the Executive on 23<sup>rd</sup> September 2008, the tender was advertised in Horticultural week, South London Press and the Contract Journal.
16. Thirty three expressions of interest were received, and twelve Pre-Qualification Questionnaire's (PQQ's) were subsequently returned.
17. These were evaluated by an evaluation panel consisting of representatives from Public Realm, Tree Section, Departmental Procurement and Housing.
18. Companies were required to pass a Minimum criteria of 80% including an assessment of Finance; Technical; References; Health & Safety; Conduct; Equal Opportunities; Environmental and Quality Management Systems.
19. Following the completion of the pre-qualifying process evaluations, the following five companies were invited to tender: City Suburban, Civic Trees, Connick Tree Care, Gristwood and Toms Limited and Focsa.
20. Full details are provided in Appendix 2.

#### **Stage Two - Tender Evaluation**

21. Tenderers were advised that the contract would be awarded on the basis of the Most Economically Advantageous Tender.
22. The Gateway 1 Report stated that the assessment of the tenders would be based on Tenderers reaching a pre-determined minimum quality level of 70% for each service statement. However this was amended to a minimum level of 75% during the development of the evaluation criteria by the procurement panel with the agreement of the Executive Member for Environment. A score of 3 (i.e. meets all of the service statement requirements) represents 75% as set out in Paragraph 26 below. This amendment was agreed via an IDM Report on the 3<sup>rd</sup> April 2009 and was included within the tender documents.
23. Tenderers that achieve or exceed 75% would then be judged on price alone with the lowest bid being successful.
24. Tenders were received from the following four organisations on 14th April 2009 from: City Suburban, Civic Trees, Connick Tree Care and Gristwood and Toms Limited.
25. One company, Focsa did not submit a tender. Having considered the scale of the contract, the company withdrew stating that the size and potential value of the contract would pose them too great a risk.

26. Each service statement was evaluated as follows:

0	=	No information supplied for service statement (0%)
1	=	Failed to meet any of the service statement requirements (25%)
2	=	Met some of the service statement requirements (50%)
3	=	Met all of the service statement requirements (75%)
4	=	Exceeded all of the service statement requirements (100%)

27. All four Tenderers; City Suburban, Civic Trees, Connick Tree Care, Gristwood and Toms Limited passed the minimum quality score and progressed to Stage Three and scored as follows:

1	City Suburban
2	Gristwood & Toms Limited
2	Civic Trees
4	Connick Tree Care

28. A preliminary examination of costs was also undertaken to determine completeness and mathematical accuracy.

29. Clarification meetings were held with all bidders on 20<sup>th</sup> April 2009. All Tenderers stated that they were happy with the tendering process and received all information including responses to queries raised in a timely and efficient manner. The documents were found to be extremely thorough, concise and easy to follow. Tenderers also commented that the document was easy to price and clearly understood the requirements of the Service Statement submissions.

30. No changes were made to the scores following the clarification meetings and all four bidders were taken through to Stage Three, price evaluation.

### **Stage Three – Price Evaluation**

31. To evaluate the Tenderers' prices, officers prepared a pre-determined model which was stamped and signed as part of the tender opening process. The model included a 30% (approximate) sample of the 2000 plus rates contained within the Pricing document. The model sample was based on anticipated future spend items and volumes, site categories, size categories and multiples but does not represent the contract sum. This model volume was also determined by an indicative value of £727,000 (Annual Purchasing Commitment) based on current contract rates and anticipated rates for new items.

32. After applying the Tenderers submitted prices to the model, the tender sums were calculated for each Tenderer with the outcome as follows:

1	Gristwood & Toms Limited
2	City Suburban
3	Connick Tree Care
4	Civic Trees

33. Therefore following the evaluation process, it is the recommendation of this report to award the contract for Arboricultural Services to Gristwood and Toms Limited.

34. The application of the model indicates that Gristwood and Toms Limited have generally reduced their current rates against the work items and volumes identified. However, this reduction is calculated on the basis of the model being issued in its entirety. The model also included a number of new specification items where no current rate existed; Officers used an estimate of anticipated prices against these items. Nevertheless, Officers are confident that the rates submitted represent a general reduction in the rates submitted for this Contract.

## **Rate Summary**

### **Gristwood and Toms Limited**

35. Gristwood and Toms Limited's rates were generally lower in comparison to other Tenderers except in the area of Tree Planting where they submitted the highest rates. They submitted the lowest rates for hourly and daywork rates and the lowest rate against the emergency attendance fee item.

### **City Suburban**

36. City Suburban provided competitive rates and generally ranked in the lowest two against all rate items in comparison to other Tenderers. They submitted the third lowest rates on average for hourly and daywork rates and the third lowest rate against the emergency attendance fee item.

### **Connick Tree Care**

37. Connick Tree Care rates were generally higher in comparison to other Tenderers in most cases by in comparison to Gristwood and Toms Limited and City Suburban. They submitted the highest rates on average for hourly and daywork rates and the second lowest rate against the emergency attendance fee item.

### **Civic Trees**

38. Civic Trees are part of Glendale Managed Services a corporate management company. The rates submitted were considerably higher in comparison to other Tenderers across the majority of items in most cases in comparison to Gristwood and Toms Limited and City Suburban. They submitted the second highest rates on average for hourly and daywork rates and the highest rate against the emergency attendance fee item.

## **Plans for the Transition from the old to the new Contract**

39. Gristwood and Toms Limited is the incumbent arboricultural service provider. An Implementation plan covering the transition from the old contract to the new contract will be agreed with Gristwood and Toms Limited following the award of the contract and prior to commencement.
40. The Implementation plan will include the translation of the Service Statements into an Operational Plan e.g. recruitment of additional staff, revised staff structure, provision of new vehicles, machinery and equipment.

## **Plans for Monitoring of the Contract –**

41. The restructure of the Public Realm Division to create the Parks and Open Spaces Unit has increased the capacity to deliver the client service for this contract. This includes new client arrangements, both from a technical perspective and from a contract monitoring perspective. This allows the client to tackle under performance in the quality of the work, the timeliness of contractors and the value of the work undertaken. Methods to manage this contract include management IT systems such as Confirm for work orders and SAP CRM for customer engagement. Standard reports have been developed to ensure the comprehensive capture of performance 'end to end'. In addition, individual qualitative checks will be integrated within the overall contract administration programme.
42. Performance will be reviewed at regular client/contractor meetings including Operational (fortnightly), Strategic (Monthly) and Liaison Board (Bi-annually) which will analyse performance against a range of key performance indicators. The contract includes provision for defaulting poor performance and early termination where necessary. The contract also includes a requirement for self monitoring by the contractor. The following KPI's have been identified and included within the contract which will enable measurement of performance against pre determined targets:
- Percentage of works completed within agreed timescales.
  - Percentage of completed works meeting specification standard.
  - Number of trees planted and survival rates.
  - Response to complaints within agreed timescales.
  - Response times including emergency works.
  - Number of Rectification and Default Notices issued.
  - Use of Advanced/Work Notices.
  - Percentage of Green Waste recycled.
  - Overall contractor performance

## **Other considerations**

### **Community Impact Statement**

43. The arboricultural services contract is a borough-wide service. It is concerned with planned and responsive works and seeks to improve quality of the service.
44. The impact of the service affects all communities/groups, residents, businesses, visitors and those that pass through the borough and will in turn improve the quality of life to all. Direct benefits are a well maintained tree stock makes an important contribution to the safety 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.

## Sustainability Considerations

45. The contract adheres to the Council's Sustainability Policy and all green waste will be recycled and reused in the borough whenever possible. Gristwood and Toms Limited have a certificated Environmental Management System. There will be no scheduled pesticide applications within the contract and the use of pesticides will only be permitted upon written instruction of the client.

## Market Development Considerations

- The successful Tenderer is a private organisation.
- The successful Tenderer has between 50 and 250 employees.
- The successful Tenderer has a national area of activity.

## Resource Implications

### Staffing Implications

46. As Gristwood and Toms Limited is the incumbent contractor there are no TUPE implications.

### Financial Implications

47. The minimum Annual Purchasing Commitment (APC) of £727K can be contained within the 2009/10 arboricultural revenue budget of £841,556. This budget covers Highways, Housing and Parks.

48. The total available Revenue Budget for 2009/10 is set out as follows:

Highways	£412,161
Parks	£118,033
<b>Total General Fund</b>	<b>£530,194</b>
Housing HRA	£311,362
<b>Total Budget</b>	<b>£841,556</b>

49. The annual purchasing commitment is a **minimum** spend and this has been set lower than existing budgets to give flexibility to carry out urgent or ad hoc work during the year. However, most of the work would be scheduled works identified via surveys and programmed to be within agreed budget for the year.

50. Additional works are also undertaken in other areas where requested such as Education, Social Services, Projects e.g. Cleaner, Greener, Safer, which are recharged accordingly. There is no identified budget for such works and these costs are therefore not included within the identified revenue budget.

51. Any rechargeable works issued would however contribute to the overall contract spend. Where spend exceeds the agreed annual purchasing commitment of £727K, Gristwood and Toms Limited have identified a volume discount for any additional spend.

## **Investment Implications**

52. There are no Investment Implications for this contract.

## **Legal Implications**

53. See report of Strategic Director of Communities, Law and Governance below.

## **Other Implications or Issues**

### **Consultation**

54. The Arboricultural Association, other local authorities and staff were consulted with during the development of the procurement strategy including packaging options and specification improvements (Gateway 1 Report).

55. Further consultation was undertaken via all members including members of the scrutiny committee (Tree Review), Ecological groups including Southwark Sustainable Environmental Partnership (SSEP) and Southwark Biodiversity Partnership, Park stakeholder groups, Public Realm senior management team, Housing management and Home Ownership, Parks and Open spaces officers including the Ecology Officer. The draft contract documentation was posted on Southwark's website to enable comments to be made.

56. The Contract allows for further changes and amendments to be made throughout the contract term via variation clauses.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Strategic Director of Communities, Law and Governance**

57. The Strategic Director of Communities, Law and Governance notes the contents of this report which seeks the approval of the Executive to the award of a contract for the provision of arboricultural services to Gristwood and Toms Limited.

58. On the basis of the information contained in this Report, it is confirmed that this procurement was carried out in accordance with Contract Standing Orders (CSO) and the relevant legal requirements. A contract award notice will need to be posted in the OJEU within 48 days of the award of the contract.

59. CSO 4.5 details who may approve decisions on contract award. This contract is classified as a strategic procurement and therefore CSO 4.5.2(a) requires the Executive or executive committee to authorise the award of this contract, after taking advice from the Corporate Contracts Review Board.

60. CSO 4.5.3 requires any possible options to extend the contract to be included as part of the proposed recommendations within the Gateway 2 report and the report confirms those options. In accordance with CSO 4.5.3, the Executive is also asked to delegate the decision to exercise those options at a future date, to the Strategic Director of Environment and Housing.



61. The Council's Constitution provides that a decision taker may only make a key decision in accordance with the requirements of the Executive procedure rules, access to information rules and the protocol for key decisions set out in the constitution. Those rules require that a key decision may not be taken unless the matter is on the forward plan. The report confirms that this decision appeared on the forward plan on the 3<sup>rd</sup> March 2009.
62. CSO 2.3 provides that a contract may only be awarded if the expenditure has been included in approved revenue or capital estimates or has been otherwise approved by, or on behalf of the Council. The financial implications section of this report confirms how the proposed contract will be funded.
63. Advice should be sought from Legal Services in relation to the documentation that is to be used to put in place the contract and the OJEU Contract Award Notice.

## **Finance**

### **Senior Finance Manager Environment**

64. The Head of Public Realm has confirmed that the proposed contract cost relating to Highways and Parks can be contained within existing budgets. The agreed minimum Annual Purchasing Commitment represents 86% of the existing revenue budget.

### **Housing Management**

65. The HRA contribution to the pro-rated annual purchasing commitment for 2009/10 can be contained within the current HRA budget of £311,000. Uncertainty about the overall level of HRA resources in future financial years indicate that post 2009/10, the HRA budget allocation for Arboriculture services could be reduced.
66. This contract contains provision to reduce volumes and spend by 20% per annum, so it is likely that any fluctuation in the HRA allocation will not lead to the contract being under funded. In the unlikely event that this happens, under funding will be met by from other HRA funded environmental services.

### **Head of Home Ownership Unit**

67. It is the opinion of the Home Ownership Unit that with regards to this Arboricultural Services Contract Section 20 leasehold consultation was not required. The budget estimates outlined and properties affected suggest that contributions fall well below the thresholds that require formal consultation. It is advised that the usual resident consultation is undertaken with the Home Owners Council, which would represent leaseholder interests.
68. In order to accurately recharge leaseholders their due proportion of the cost of this contract via their annual revenue service charge, the contract will have to be set up in such a way as to ensure that costs are properly coded to the relevant cost centre's, which will be provided by HOU. Communication with the Home Ownership Unit is vital to ensure that all relevant costs are easily obtained for the purposes of recharging. An officer from the Home Ownership Unit is a member of the contract working party, to ensure that our requirements are met.

## **Corporate Procurement**

69. This is a gateway two report seeking approval for the recommendation to award the arboriculture services contract to Gristwood & Toms Ltd. Having met the criteria of a Part B services strategic protocol, the report confirms compliance with both CSOs and eu legislative requirements.
70. The evaluation methodology required bidders to reach a minimum quality threshold of 75%, and thereafter award was based on the lowest price. It is noted that the originally advised quality threshold of 70% was subsequently amended to 75% with IDM approval.
71. The report details the service benefits that will be delivered through the new contract, in particular an improved communications programme that will allow residents to more easily report issues, and monitor works programmes etc.
72. The report confirms the contract management arrangements that will be put in place, including a range of key performance indicators.

## **Finance Director Concurrent**

73. The proposed contract has a minimum annual purchasing commitment of £727K, which represents 86% of the existing Arboricultural budget of £841,556, with the remaining budget giving flexibility to carry out urgent or ad hoc work during the year. Therefore careful monitoring is required to ensure that contract expenditure is kept within the funding available through agreement on spending priorities. As indicated in the evaluation model used to award this contract, the preferred tender by Gristwood and Toms have reduced their current rates. Any in-year savings that materialise from the reduction in these rates should be identified and put forward as part of the overall budget planning process.
74. Initially, the contract is for a period of four years and seven months. A provision is included in the contract, based on satisfactory performance, for an extension of five years. The contract also contains the opportunity to utilise a 5% volume discount on expenditure in excess of the annual purchasing commitment.
75. As outlined in this report, funding has been secured from the Housing Revenue Account (HRA) for £311,362 (37%) of the Arboricultural revenue budget for 2009/10. However, post 2009/10 due to uncertainty about the overall level of HRA resources, the allocation of HRA budget for Arboriculture services could be reduced. Any reduction in the HRA allocation of up to 20% would require a similar decrease in service volumes and spend, as allowed in the contract, to ensure the contract is not under funded. A HRA funding reduction in excess of 20% would require the allocation of funds from other HRA funded environmental services therefore meaning that an offsetting saving would need to be found within the HRA by management.

## BACKGROUND PAPERS

Background Papers	Held At	Contact
Gateway 1 Report	Public Realm Division 160 Tooley Street, SE1 2TZ	John Williamson 020 7525 (5)2100
Contract File	Public Realm Division 160 Tooley Street, SE1 2TZ	John Williamson 020 7525 (5)2100

## APPENDICES

Appendix number	Title of appendix
1	Timetable of procurement process followed
2	2009/2014 Arboricultural Services Contract Pre Qualifying Questionnaire (PQQ) Evaluation Report

## AUDIT TRAIL

<b>Lead Officer</b>	Gill Davies, Strategic Director of Environment and Housing		
<b>Report Author</b>	John Williamson, Business Support, Public Realm, Environment and Housing		
<b>Version</b>	Final		
<b>Dated</b>	July 2009		
<b>Key Decision?</b>	Yes	<b>If yes, date appeared on forward plan</b>	March 2009
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER</b>			
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>	
Strategic Director of Communities, Law and Governance	Yes	Yes	
Senior Finance Manager Environment	Yes	Yes	
Senior Finance Manager Housing	Yes	Yes	
Head of Home Ownership Unit	Yes	Yes	
Corporate Procurement	Yes	Yes	
Finance Director	Yes	Yes	
Executive Member	No	No	
<b>Date final report sent to Constitutional Support Services</b>			July 10 2009

**Arboricultural Services Contract Gateway 2 – Contract Award Approval**  
**Appendix 1**

**Timetable of procurement process followed:**

<b>Activity</b>	<b>Date completed</b>
<b>Gateway 1:</b> Approval given for procurement strategy	23-09-2008
Advertise the contract	03-11-2008
Closing date for expressions of interest	12-12-2008
Completion of tender documentation	02-03-2009
Invitation to tender	05-03-2009
Tenderers Open Day	27-03-2009
Closing date for return of tenders	14-04-2009
Completion of evaluation of tenders	19-04-2009
Completion of any post-tender clarification meetings	20-04-2009
DCRB	27-04-2009
CCRB	30-04-2009
<b>Gateway 2:</b> Contract award for approval (this report)	21-07-2009
Call In Period	28-07-2009
Place award notice in Official Journal of European Union (OJEU)	August 2009
Start date of contract	01-09-2009
Contract completion (Initial Term)	31-03-2014

## **Arboricultural Services Contract Gateway 2 – Contract Award Approval**

### **Appendix 2**

#### **2009/2014 Arboricultural Services Contract Pre Qualifying Questionnaire (PQQ) Evaluation Report**

##### **1. Background**

- 1.1 Following the Gateway 1 Report approval from the Executive Committee, advertisements for the Arboricultural Services Contract were placed in the following publications:

Horticultural Week  
Municipal Journal  
South London Press

- 1.2 An evaluation process document was produced by the Business Support Manager, ratified by the Departmental Procurement Manager and signed off by the Head of Public Realm, prior to the PQQ's being returned.

- 1.3 Thirty three companies applied for the PQQ.

- 1.4 Twelve companies returned the PQQ's :

Advanced Tree Services Ltd.  
Connick Tree Care  
The Tree Company (London) Ltd  
Gristwood and Toms Ltd  
City Suburban Tree Surgeons Ltd  
Venables Trees Ltd/(Fletchers)  
Focsa Services (UK) Ltd  
Living Landscapes  
Connaught Environmental Ltd  
Ground Control Ltd  
Glendale (Civic Trees)  
Prestigious Trees Ltd

##### **2. Evaluation Scoring**

- 2.1 Each of the 33 companies requesting the PQQ's were supplied with the scoring criteria outlined in 2.2

- 2.2 Each of the Sections within the PQQ was scored using a 3 point system:

0 - Failure to supply information or inadequate

1 - Marginal

2 - Pass

Contractors will be expected to score a minimum of 80%, however any Contractor scoring 0 (Zero) in any Section will be rejected.

All contractors achieving the minimum 80% score will be invited to Tender.

### 3. Evaluation Process

- 3.1 Following a desk top audit of the submitted PQQ's and accompanying information, the following companies were contacted to supply missing information:

City Suburban Tree Surgeons Ltd  
Connaught Environmental Ltd  
Ground Control Ltd  
Glendale (Civic Trees)  
Prestigious Trees Ltd

- 3.2 Following a 'Financial Assessment' (Section B) of all 12 companies, 5 were below the 'safe trading level' for a contract worth a minimum of £727,000 per annum and were therefore excluded from the evaluation process:

#### Company

Advanced Tree Services Ltd.  
The Tree Company (London) Ltd  
Venables Trees Ltd/(Fletchers)  
Living Landscapes  
Prestigious Trees Ltd

- 3.3 Two companies were excluded following an assessment of Section J (Technical 2), two companies were excluded for scoring Zeros:

#### Company

Connaught Environmental Ltd  
Ground Control Ltd

#### Details

Questions 6 & 7  
Questions 1, 3, 4, 5 & 7

- 3.4 The remaining 5 companies were assessed the following Sections: B (finance); C (Technical 1); D References from 3 different clients; E (Health & Safety); F (Conduct); G (Equal Opportunities); H (Environmental Management Systems); I (Quality Management Systems) and J (Technical 2).

- 3.5 A total score of 86.40 was required to pass the 80% threshold; therefore the following companies will be invited to tender:

Connick Tree Care  
Gristwood and Toms Ltd  
City Suburban Tree Surgeons Ltd  
Focsa Services (UK) Ltd  
Glendale (Civic Trees)