

GROUNDS MAINTENANCE: FUTURE DELIVERY OF THE SERVICE**1. INTRODUCTION**

- 1.2. This report sets out proposals for the future delivery of the Council's grounds maintenance service following unsuccessful discussions with the Council's current contractor (Amey Business Services Ltd (ABS)) on the costs, to the Council, of extending the current contract for a period of one year.
- 1.3. Cabinet will be aware that the grounds maintenance service forms part of the Public Services Best Value Review for this year. To support this process a review team comprising representatives from tenants, town/parish councils, officers from Environment and Community Services Directorates with input from ABS was formed.
- 1.4. At the same time Cabinet will be aware that discussions are taking place with Test Valley Borough Council to form a joint (partnership) commercial services unit to serve both authorities.
- 1.5. The current contract with ABS was awarded under CCT arrangements and is due to expire on 5 January 2002. The original proposal was to extend the current contract for 12 months to allow sufficient time to complete the Best Value Review (which is proposing innovative ways of delivering the service in future) and to allow the formation of the Test Valley partnership (Test Valley Borough Council has a well established and competent grounds maintenance unit) to develop a co-ordinated change during late 2002/early 2003.
- 1.6. ABS were willing to consider an extension to their contract on the basis of an 'open-book' approach to costs. As will be shown later in this report, ABS under-priced the original contract and whilst willing to continue with the service they claimed they could no longer sustain the level of financial losses being incurred.
- 1.7. Despite best endeavours, by both parties, agreement cannot be reached on an acceptable cost for one added year. Therefore alternative arrangements are being proposed to resolve the problem.

2. BACKGROUND

- 2.2. The contract under consideration comprises:

Service	Comprising
Cemeteries	Grounds maintenance including burials etc.
Housing	Grounds maintenance including higher levels of maintenance in sheltered housing areas.
Highway verges	Grounds maintenance for highway verges under a management agreement with Hampshire County Council and the District Council's 'top-up'.

- 1.2. When the contract was awarded ABS submitted a tender that identified a significant saving to the Council. Despite several queries on the price saving, ABS confirmed they were confident of their price which, at that time, was based on using shared resources with contracts they held with neighbouring authorities.
- 1.3. The accepted tender price resulted in a saving to the Council of £136,000 per annum (1995 prices). The saving was re-allocated as follows:
 - 1.3.1. Cemeteries £40,000
 - 1.3.2. Housing £30,000
 - 1.3.3. Highways £66,000 of which the majority related to the direct area (HCC responsibility).
- 1.4. It was evident soon after the start of the contract ABS were having difficulty in making an acceptable financial return on the contract. But being part of a multi-national organisation they adhered to their tender price. Although initially difficulty was experienced in providing an acceptable service ABS persevered and, working in close partnership with the Council, has, in recent years, delivered a service broadly in line with the specification.
- 1.5. During this time it was also apparent that other local authorities in Hampshire who had let similar grounds maintenance contracts were receiving significantly higher tenders for re-lets. Experience had begun to show that many contractors had failed to appreciate the complexity and burden of trying to deliver a multifarious service to local authorities.

2. OUTCOME OF NEGOTIATIONS WITH ABS & NFCS.

- 2.2. Numerous discussions have taken place with ABS to try and secure a financially acceptable price for carrying out the grounds maintenance service for one extra year. A number of factors prevented both parties from being able to secure a realistic price for one extra year. These included:
 - 2.2.1. Some existing machinery and vehicles are at the end of their useful working life and from a safety perspective need to be replaced. The charge for new equipment was being offset in one year, which made it prohibitively expensive.
 - 2.2.2. Losses incurred – whilst not seeking retrospective recovery, ABS wanted to secure the industry standard return on their investments and level of activity.
- 2.3. Although every attempt was made to seek an acceptable compromise and to share aspects of future risk it was clear an alternative approach needed to be considered.
- 2.4. The current cost of the contract is £462,470 per annum (2002 prices). The negotiated revised price from ABS was £827,957. This represented an increase of just over 79%.
- 2.5. As a result ABS were asked to provide details of staffing and resources applicable to the contract under TUPE. New Forest Commercial Services (NFCS) were invited to submit a not-for-profit price for carrying out the work under a transfer arrangement with normal TUPE provisions applying.

2.6. NFCS have submitted an indicative price on a 'like-for-like' output basis of £707,254. This represents a saving of £120,703 on ABS prices but still represents an increase on the current budget of £244,784 or just over 53%.

2.7. It should be noted that the price submitted by NFCS has no profit margin built into it, and reflects the revised approach developed through the Council's approach under best value of operating on a partnership basis. As a result although a formal price has been presented the risk in delivering the service will be shared and any problems or variance will be charged direct to budget and not absorbed by the NFCS reserve.

3. TRANSFER OF UNDERTAKINGS PUBLIC EMPLOYEES (TUPE).

3.2. Under the requirements of TUPE, ABS has provided details of staff, their current conditions of service, length of service and entitlements etc. It is clear that by transferring over to the Council ex-ABS staff will receive improved conditions of service including pensions rights etc.

3.3. At present one TUPE issue remains outstanding.

Injured Employee.

3.3.1. A member of ABS staff was severely injured during the summer when a cutting blade on a large rotary mower shattered and a large piece of the blade caused severe leg injuries. The employee spent time in hospital and is still unable to work. It is possible that a significant personal settlement will need to be made. It is believed the Health & Safety Executive is considering taking action against the company who supplied the blade.

3.3.2. The Council is taking advice on the TUPE transfer issues for this ABS employee and is requiring ABS to indemnify the Council against any potential personal injury claim before the transfer is complete. An oral update will be given at the Cabinet meeting.

4. PROVISION OF ADDITIONAL FUNDING.

4.2. Before consideration is given to the provision of additional funding it is important for the Cabinet to be aware of how this potential price increase impacts on the various services budgets.

4.3. From an assessment of the spread of service responsibility the additional expenditure impacts as follows:

Cemeteries	£49,000
Housing	£93,000
Agency & Direct area NFDC 'top-up'	£30,000
Highways (HCC)	£73,000
Total	<u>£245,000</u>

1.2. From a Portfolio perspective this can be shown as:

2. Environment (GF) £79,000
3. Housing (HRA) £93,000
4. HCC £73,000

Consultation on additional funding requirements.

Environment.

- 4.2. Cabinet will be aware that a bid has been made for additional funding of £80,000. This is made up of £20,000 already approved and amalgamated into this year's budget (2001/02) and a further £60,000 to come into effect in 2002/03, subject to Council approval. Provided Members approve the bid of £60,000 for next financial year no additional funding is required from the General Fund (GF) to support this increase.

Housing.

- 4.3. Discussions have taken place, through the Grounds Maintenance Best Value Review Panel, with the tenant's representative on this issue. A further meeting is taking place on 7th January 2002 with the full Tenants' and Residents' Consultative Group

Hampshire County Council (HCC).

- 4.4. HCC (Area Surveyor) has been informed of the need to make a higher contribution to the cost of providing their part of the overall service. Details of the additional costs have been provided and a formal response is awaited. An oral update on progress will be made at the Cabinet meeting.
- 4.5. If HCC is unable to meet the additional costs a further report will be put to the Cabinet on options.

5. CONSULTATIONS.

- 5.1 Consultation has taken place with the Environment Portfolio holder. The view is that HCC must make a sufficient contribution to cover the added costs or the Council should discuss with HCC the option for 'handing-back' all responsibility with the District Council withdrawing its subsidy for the increased number of cuts.

6. BEST VALUE REVIEW PROCESS.

- 6.1 As mentioned above consideration is being given by the Grounds Maintenance Working Party to developing an innovative approach for the possible future delivery of the service. The revised basis focuses on a locality approach with close partnership working with some town and parish councils.
- 6.2. However, this approach has yet to be costed and the financial implications properly considered.
- 6.3. Meanwhile it is proposed that the service is transferred in its present form for the year 2002 and that the details, costs and operational implications of any change be properly considered before any changes are introduced.
- 6.4. The in-house delivery of the service introduces a greater level of flexibility to meet some of the possible changes that the Council may wish to consider under the best value review. A discussion paper will be presented shortly on the options for introducing a locality based approach to service delivery. Grounds maintenance will form one of the service areas that could be encompassed into a locality approach. The discussion paper will contain proposals to introduce three 'pilot' schemes within the District. These pilots can then be evaluated before consideration is given to extend the principle.

6.5. This will also allow NFCS to complete negotiations with Test Valley Borough Council and to determine whether further savings or improvements in working practices, by using shared resources can be achieved

7. CRIME & DISORDER IMPLICATIONS.

7.1 None related directly to the subject matter within this report.

8. ENVIRONMENTAL IMPLICATIONS.

8.1 Environmental issues have been taken into account in the preparation of the specification.

9. FINANCIAL IMPLICATIONS.

9.1 These have been set out above.

10. RECOMMENDATIONS.

10.2. That Cabinet confirm that the delivery of the service be brought back in-house and that NFCS carry out the work on a partnership basis as outlined within this report.

10.3. That Cabinet note the financial position within this report.

10.4. That a further report be presented to Cabinet if:

10.4.1. Hampshire County Council are unwilling to make the additional contribution to the cost of carrying out their element of the grounds maintenance activity; and/or

10.4.2. Council is not able to support the bid for the additional £60,000 put forward in this year's financial review.

10.5. That, subject to the above, a further report be presented on the options for alternative forms of service delivery as identified in the Best Value Review.

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Background Papers:

None.