


Agenda Item No:	10	
Committee:	Cabinet	
Date:	27 January 2025	
Report Title:	Grounds Maintenance Contract – procurement option decision and revised specification	

This item comprises EXEMPT INFORMATION which is not for publication by virtue of Paragraphs 3 and 5

The main body of the report is for public record. Only the three Schedules contain exempt information.

1 Purpose / Summary

- 1.1 The current 10-year Grounds Maintenance (GM) contract with Tivoli expires on 31 October 2025. In order that the Council can replace this contract in a timely manner, work has taken place to assess the Council's options with regards to either securing a new partner or extending the current contract by one year.
- 1.2 Alongside this work, an assessment of potential cost reduction approaches regarding the current specification have been undertaken in order to reduce the expected increase in cost for a contract that a future procurement exercise will require.

2 Key Issues

- 2.1 The Council's 10-year GM contract expires on 31 October 2025. To have a replacement contract in place requires procurement to commence early in 2025 as a new contractor will require several months lead-time to take on the work in an organised and effective manner from November 2025.
- 2.2 An assessment of the Council's current GM costs has identified that the Council is getting exceptionally good value from the GM contract with Tivoli. It is estimated that going to the market on the current specification will add a significant amount to current costs based on market intelligence.
- 2.3 The same work has identified that going to the market for a contractor is the approach most likely to offer the Council best value as opposed to the Council offering an in-house service or establishing a Local Authority Trading Company. Any such contract would need to be 5 years in length (to achieve good value) with the option of a further 5 years and this contract would then novate to any future council body as part of the planned local government reorganisation.
- 2.4 The Council has received legal advice that a one-year extension of the current contract is possible. Officers have discussed this with the current contractor, Tivoli, and they have offered a one-year extension price. After several discussions and a reduction in specification to match that within this report, the Year 11 price offered is within 10% of the current contract price.

- 2.5 In order to mitigate increased costs, officers have reviewed the current GM specification and Cabinet is presented with options to reduce potential bid costs by a reduction in the specification for either an extension of the current contract, or the procurement of a new contract.
- 2.6 Current experience has demonstrated that local arboriculture contractors can demonstrate better value than a centralised tree team working for our main contractor. This being the case the Council may achieve better value with a call-off contract with three businesses (preferably including the main GM contractor, but not necessarily so) instead of 1 contract with the Council's main contractor. To achieve best value it is proposed that the Council goes to the market for the services of up to three arboriculture firms services.

3 Recommendations

- 3.1 That Cabinet notes the report and the likely significant financial impact that a new GM contract or contract extension, **at the current specification**, will have on the FDC revenue budget.
- 3.2 That Cabinet notes and approves the recommendations for a reduction in contract specification to keep the Council's future costs as low as possible.
- 3.3 That Cabinet approves the procurement of up to three arboriculture contractors, to put in place call-off contracts to ensure best value for ongoing tree works.
- 3.4 That Cabinet notes the two best value options for delivery of the Grounds Maintenance service from November 2025 of either:
- Extending the Tivoli contract by 1 year or
 - Procuring a contractor on a 5 + 5-year basis
- 3.5 That Cabinet selects one of the two options summarised in 3.4.
- 3.6 That Cabinet delegates authority to the Corporate Director, in consultation with the Portfolio Holder for Environment, to mobilise and implement such proposals as selected in 3.5, with the authority to undertake all reasonable ancillary actions to ensure implementation.
- 3.7 That Cabinet authorises the Monitoring Officer to execute and complete all requisite legal documentation in relation to the matters outlined above in 3.6.

Wards Affected	All
Forward Plan Reference	KEY/17MAY24/01
Portfolio Holders	Cllr Peter Murphy Portfolio Holder for Environment Cllr Chris Boden Leader and Portfolio Holder for Finance

Report Originators and contact officers	Phil Hughes Carol Pilson Peter Catchpole Amy Brown	Head of Leisure Services Corporate Director Corporate Director and 151 officer Assistant Director
Background Papers	Ricardo AEA FDC GM report – see Exempt Section 14	

Report:

4 Reasons for Exemption

- 4.1 This Report is NOT FOR PUBLICATION in accordance with paragraphs 3 and 5 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to commercially sensitive costs and market information that may impact a competitive tender process if made public. The public interest test has been applied to the information contained within this exempt report and it is considered that the need to retain the information as exempt outweighs the public interest in disclosing it.

Note; Only the Schedules are exempt information.

BACKGROUND AND INTENDED OUTCOMES

5 Summary

- 5.1 Fenland District Council commissioned Ricardo Energy & Environment to assess the delivery methods and associated costs of the Council's Grounds Maintenance services. Ricardo is an industry expert firm with expertise regarding environmental services that Councils procure. They have significant knowledge of contract rates given their supportive work for Councils across many differing contracts. The primary objective of their work for Fenland was to determine the most financially viable option for delivering GM services in Fenland and identify expected costs of new contracts.
- 5.2 The options under consideration were:
- In-house, through a Direct Service Organization (DSO)
 - Outsourced to the private sector
 - Local Authority Trading Company (LATCo)
- 5.3 Ricardo conducted a comprehensive analysis, including the preparation of a 'Dummy Bid' - a cost estimate based on prevailing market rates - to simulate a competitive tendering process. The analysis focused solely on the core scheduled works detailed in the Bills of Quantities (i.e. services specification and frequency), excluding any non-core provisional items.

6 Key Findings

- 6.1 The analysis revealed that:
- The current outsourced service, provided by Tivoli Group Limited, appears to represent good value for money for the Council.
 - Retendering the services on the market to a private sector operator could lead to significantly higher costs due to current market conditions.

- Bringing the services in-house (DSO) would likely result in even higher costs, primarily due to increased pension contributions under the Local Government Pension Scheme (LGPS).
- The LATCo (Local Authority Trading Company) option, while comparable in cost to the private sector model, would involve additional complexities and potential costs associated with establishment and management.

7 Recommendation

7.1 The Council has two options for November 2025:

- Procure a new contract for its Grounds Maintenance services through a re-tendering exercise to an external contractor.
- Or
- Extend the Tivoli contract, given that Tivoli has offered a price within 10% of the current cost for that year whilst Local Government Review progresses, which may result in the ability to align with strategic partners in 12 months' time, however that is of course not guaranteed and we may find ourselves in the same position in 12 months' time (Jan 2026) in more difficult and potentially a more costly situation.

Detailed Findings

8 Service Delivery Options Appraisal

8.1 The Council explored several service delivery options, each with its own set of advantages and disadvantages:

8.2 In-house Model (DSO)

This model offers the Council maximum control over the services and facilitates flexibility in responding to legislative changes, market fluctuations, and resident concerns. However, it requires the Council to absorb the full costs of service delivery, including pension contributions, staffing, infrastructure, and equipment.

8.3 LATCo Model

This model allows the Council to create a trading company under the Teckal exemption, offering greater flexibility in areas such as pension schemes and staff incentives. However, it requires careful adherence to LATCo regulations and may involve additional administrative complexities. Given LGR, the work to progress this option seems to be rendered moot given it will take time to establish and reap the benefits of any such arrangement. To progress this, we would also need to enter in to the one year extension with Tivoli to give time to put the necessary arrangements in place.

8.4 Partnering with Other Councils

This option involves collaboration with neighbouring local authorities to share resources and achieve economies of scale. While potentially beneficial, it requires careful consideration of factors such as service alignment, geographical limitations, and contractual arrangements.

8.5 Outsourcing to the Private Sector

This model, currently employed by the Council, involves contracting out the services to private companies through a competitive tendering process. It offers the benefits of market competition and access to specialized expertise but requires effective contract management and monitoring.

8.6 Delivery Options Summary

Ricardo conducted a comprehensive appraisal of the various service delivery options, considering factors such as cost, quality, operational risk, and capacity. The appraisal involved a Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis, which further supported the recommendation of continuing to outsource the services. A summary of the SWOT analysis is shown in the table below;

	Insourcing	LATCo (Pre-existing with Partner Local Authority)	LATCo (Establishing a Council LATCo)	Outsourcing
Costs –The service needs to provide value for money				
Procurement Competition	Red	Yellow	Red	Green
Staff Equality	Red	Yellow	Yellow	Green
Capital	Yellow	Yellow	Yellow	Yellow
Management	Green	Red	Red	Red
Gross Operating Cost	Red	Yellow	Yellow	Green
Quality- The service needs to perform its function efficiently				
Performance	Red	Red	Red	Yellow
Experience	Red	Yellow	Red	Green
Service Integration	Green	Yellow	Yellow	Yellow
Flexibility	Green	Yellow	Yellow	Yellow
Deliverability Risk- The service needs to limit risk to the Council				
Contingency	Yellow	Yellow	Yellow	Green
Flexibility	Green	Yellow	Yellow	Yellow
Mobilisation	Red	Yellow	Red	Green
Capacity- The service will require operational experience and staff with skills necessary to prepare, manage and deliver the service				
Staff Development	Green	Green	Green	Green
Skills	Red	Red	Red	Green
Experience	Red	Yellow	Red	Green
Management	Red	Red	Red	Green
ICT	Red	Yellow	Yellow	Green
Infrastructure	Green	Green	Green	Green
Timescales	Yellow	Yellow	Yellow	Green

9 Cost Analysis Summary

- 9.1 Ricardo conducted a detailed cost analysis to assess the value for money offered by each service delivery option. The analysis involved the use of Standard Minute Values (SMVs) to determine the workload associated with each service area and the application of anticipated unit rates to estimate the current market value of the services.
- 9.2 The 'Dummy Bid' exercise estimated the annual cost of outsourcing the services to be, significantly higher than the current contract cost. This discrepancy highlights the potential cost increase associated with retendering the services in the current market.
- 9.3 The estimated cost of bringing the services in-house (DSO) was even higher. This increase is primarily attributed to the higher pension costs under the LGPS (local government pension scheme).
- 9.4 The LATCo option was comparable to the private sector model. However, this model necessitates a two-tier workforce and excludes the costs of establishing and managing the LATCo – likely to increase costs above the private sector approach.
- 9.5 The 'Dummy Bid' estimated the annual cost of outsourcing the services to be significantly higher than the current contract cost, indicating a potential cost increase when the GM services are retendered.

10 Reducing anticipated costs by reducing the current GM specification

- 10.1 Costs produced by Ricardo AEA are calculated using the current specification for the GM contract. i.e. what is carried out by our contractor on our behalf, how often and to what quality. If the Council reduces the specification of the contract the cost will be reduced.
- 10.2 As a highly visible service any change must be assessed carefully to ensure that there is as little impact on the service that residents receive as possible.
- 10.3 It should be noted that simply trimming a little bit here and there from the overall specification will not achieve significant cost savings. To reduce contractor costs, specification changes need to understand the costs that the contractor incurs when carrying out works. Once understood, targeting contractor cost reductions then has an impact on the overall contract cost.
- 10.4 As detailed above, 58% of our current contractor's costs are in labour. To achieve reductions in cost it is necessary to target a reduction in the number of 2-person teams that operate the contract. Removing such a team reduces labour costs, whilst also reducing capital costs for the van being used, potentially a larger mowing machine and the associated trailer for the unit.
- 10.5 The current contract utilises the following workforce:
 - 4 to 8 seasonal employees from March through to October
 - 9 full-time year-round employees

- 3 person cemeteries team
- 2 person parks and recreation areas team
- 3 x 2-person open space and verge teams
- 2-person burial team
- 2 person shrubs and hard surfaces team
- 1 supervisor
- 1 manager

10.6 The following changes will achieve significant savings on the contract that should bring revised costs for any new contract down significantly:

- Parks and Rec cut: Reduce from 16 to 14 losing 1 cut in March and October
- Cemeteries cut: Reduce from 16 to 14 losing 1 cut in March and October
- Open space & verges Move from 2 week to 3-week rotation, starting March and ending October (reduction of cuts from 16 to 11)
- Charge CCC for the actual work carried out on their land

10.7 These changes are anticipated to have a minimal impact on the parks and cemeteries cut, but the open spaces team anticipates a slight increase in calls from residents during April and May during the peak grass growth season on parks and open spaces. As ever with nature, the seasons do significantly impact growth rates, and this paragraph needs to be caveated with the expectation of 'normal' seasonal rain and sunshine. Exceptional rain or sun impacts growth rates rapidly, as well as the ability to cut grass if areas are sodden, and this subsequently impacts resident feedback.

10.8 The additional further specification changes below will add in more savings bringing future costs down further:

- Play Area Inspections

Bring in-house for FDC staff, already on site throughout a month, to carry out an inspection regime within normal duties

Annual ROSPA inspection to continue

- Hedge Cut

Reduce from 2 to 1.5.

August cut to be front facing and high-profile sites.

Full cut starting October. Impact kept to minimum with the August cut.

- Football Pitch Maintenance: Remove from contract, as no longer being used by teams. No public impact
- Hard Surfaces; Reduce from 12 to 6 visits. Incr. rotational visits

- Shrubs and Rose Beds; Simplify specification and reduce to 6 annual visits
 - Herbaceous / high profile shrubs: Reduce area and specification.
- 10.9 The suggested specification changes, in addition to other minor adjustments to the specification and frequencies, aims to provide a scaled down, fit for purpose specification, that offers **minimal visible change** to the public, whilst keeping anticipated costs as low as possible with significant savings in the region of £150,000 - £200,000. This is of course an estimate and the bidders in the market will determine the impact and price accordingly.
- 10.10 It should be noted that this is an estimated impact based on current costs and how the current contractor manages their workforce.
- 10.11 It is also worth noting that adding anything new into an established contract will add an additional cost ABOVE what the cost would have been if it had been procured originally and likewise, removing something from a contract once in place may not save the expected sum, and in some cases may save no money at all. It is important that decisions made on the revised contract specification are adhered to, with changes very limited to ensure that the Council keeps costs at the original contract value.
- 10.12 A clear contract on day 1 that the Council adheres to will provide best value throughout the contract term.
- 10.13 The option of extending the current Tivoli contract by one year already includes the recommended specification changes detailed above and brings the cost for a year within 10% of the Council's current costs representing good value.

11 Local Government Review and influence on contract options

- 11.1 The Government White Paper which outlines the likely abolition of Fenland District Council in 2028 will influence the long term planning for all contracts at the Council.
- 11.2 A 5+5 contract has the advantage of giving cost certainty for the remaining years that FDC is in existence plus 2 years when the new unitary authority is establishing itself and its new arrangements to deliver services. It also reduces the officer and Member time needed to further assess procurement issues/options and issuing new contracts in another year's time.
- 11.3 Opting for a one-year extension will give us cost certainty for the next 12 months (until 31st October 2026) and may provide an opportunity for discussion with emerging strategic partners to align service delivery across a new geography in preparation for the new unitary authority being formed. However, this is by no means certain for several reasons, and we may find ourselves in the same position in January 2026 – needing to plan for a new contract to start in November 2026 but potentially with increased costs and a longer term for the new unitary to be locked in to.

12 CONSULTATION

- 12.1 There are no consultation requirements connected with the recommendations set out in this report.

13 ALTERNATIVE OPTIONS CONSIDERED

The alternative options for consideration are all set out in this report for detailed consideration.

14 IMPLICATIONS

14.1 Legal Implications

- 14.2 The Council has taken legal advice with regards to a contract extension with Tivoli. Advice received highlights that the Council is able to extend the contract with Tivoli relying on the Public Contracts Regulations 2015 Regulation 72(1)(e). Advice received is detailed in the exempt schedule.

14.3 Financial Implications

- 14.4 As detailed, the current contract represents good value for money.
- 14.5 Clearly the likely future increased cost implications of a new contract are a concern to the Council. Going to the market in a competitive procurement process should ensure that the Council gets the best package for the next 5 years. Additionally, the planned adjustments to the current GM specification should reduce any tendered costs to improve affordability.
- 14.6 In the past the Council has also been undercharging the County Council for the work that we carry out on their behalf as part of the GM contract – highways verges within town boundaries. From 2025 the Council will be recharging the County the full sum for such works ensuring full cost recovery to the Council. This reduces the Council's costs for the GM contract slightly. This may, of course, lead the County Council to review their own options around frequency and cost of their grass cuts.

14.7 Equality Implications

There are no specific equality implications associated with the content of this report.