

## GROUNDS MAINTENANCE AND STREET CLEANING CONTRACT RE-TENDER

### Executive Summary

The Council's current contract to provide grounds maintenance and street cleaning services was awarded to Serco in 2003 and will end on 31 March 2025. The contract is one of the Council's largest services and broadly comprises; street cleaning operations to highways, grounds maintenance and tree inspections / works to parks, open spaces, play areas, sports grounds, housing land, closed burial grounds and other Council interest land.

To quantify, this equates to over 170 hectares of amenity grass cutting, 65 grass sports pitches, 77 outdoor play facilities, 19 hectares of town centre to clean, over 340 kilometres of highway to sweep and circa 700 litter bins to empty. Tree numbers are not quantified but Woking's tree canopy cover is estimated to be 30.8% which is significantly higher than the 12.8% average, making it one of the leafiest boroughs in England. Ancillary services include draining ditch clearance, emergency flood response, fly tip, fly-post and graffiti removal and subway cleaning.

The Council needs to secure arrangements for the provision of these services beyond the end of the current contract. The Public Contracts Regulations 2015 apply to service contracts whose estimated value is equal to or greater than £189K. As the total value of this contract exceeds that threshold a tender exercise has been completed to procure the service.

Due to the complexity of the services involved and the need to negotiate and develop proposals, a two-stage Competitive Dialogue process, with dialogue prior to the initial tender was selected. This allowed the Council to refine its requirements with tenderers, meaning that the initial tenders were closer to the desired outcomes and the final tender focused on refinements.

The Council recruited a specialist technical consultant, Tetra Tech to support the development of contract documentation and provide guidance throughout the procurement.

A soft market engagement was undertaken ahead of commencing the procurement. Salient points from the soft market testing were incorporated into the tender documents. To reduce the cost of this contract, tenderers were asked to submit a solution with a maximum cost limit of £3m per annum for 2025/26. Each tenderer was required to submit their tender price along with nine method statements detailing how their bid would meet the requirements set out in tender specifications. The tender evaluation model included a total of 10,000 points (6,000 for quality and 4,000 for price). The highest scoring quality tender being awarded 6,000 points and the tender with the lowest price was awarded 4,000 points, with each of the remaining tenders awarded points on a pro rata basis.

An evaluation panel agreed a points score for each method statement with comments to support that score. This was overseen by the Council's Procurement Officer. Finance colleagues checked the pricing submissions for accuracy, all prices were within the £3m price cap. The cost and quality scores were added together to provide a total score for each bid. The recommendation is for the Council to award the contract to the tenderer with the highest scoring bid.

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### Recommendations

The Executive is requested to:

#### RECOMMEND TO COUNCIL That

- (i) the contract for the provision of Grounds Maintenance and Street Cleaning Services be awarded to the highest scoring tenderer for an initial contract period of eight years and it be noted that the value of the contract is estimated to be £3m during 2025/26, subject to annual indexation thereafter; and
- (ii) authority be delegated to the Head of Environmental Services and Director of Legal and Democratic Services, in consultation with the Portfolio Holder, to complete the necessary contract document exchanges.

### Reasons for Decision

Reason: To secure arrangements for the provision of grounds maintenance and street cleaning services beyond the end of the current contract. This contract will enable the Council to continue to achieve its statutory duty in respect to cleaning standards and continue to provide safety critical works in respect to its sports, play and grounds facilities.

The item(s) above will need to be dealt with by way of a recommendation to Council.
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**Background Papers:** None.

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## **Grounds Maintenance and Street Cleaning Contract Re-tender**

### **1.0 Introduction**

- 1.1 The Council's current contract to provide grounds maintenance and street cleaning services was awarded to Serco in 2003 and will end on 31 March 2025. The contract will have operated for 22 years, including an initial period of 10 years and the maximum permitted extensions.
- 1.2 The Council needs to secure arrangements for the provision of these services beyond the end of the current contract. The Public Contracts Regulations 2015 apply to service contracts whose estimated value is equal to or greater than £189K. As the total value of this contract exceeds that threshold a tender exercise has been completed to procure the service.
- 1.3 This report concerns the award of the new contract for the provision of grounds maintenance and street cleaning services, summarising the tender process and recommendation to whom the contract should be awarded for its commencement on 1 April 2025.

### **2.0 Contract Scope**

- 2.1 The contract is one of the Council's largest services and is broadly comprised of; street cleaning operations to highways, grounds maintenance and tree inspections / works to parks, open spaces, play areas, sports grounds, housing land, closed burial grounds and other Council interest land.
- 2.2 To quantify, this equates to over 170 hectares of amenity grass cutting, 65 grass sports pitches, 77 outdoor play facilities, 19 hectares of town centre to clean, over 340 kilometres of highway to sweep and circa 700 litter bins to empty. Tree numbers are not quantified but Woking's tree canopy cover is estimated to be 30.8% which is significantly higher than the 12.8% average, making it one of the leafiest boroughs in England. Ancillary services include draining ditch clearance, emergency flood response, fly tip, fly-post and graffiti removal and subway cleaning.

### **3.0 Current Contract**

- 3.1 The current contract was let in 2003 and resourced to meet very high-quality standards for each of its component services. Performance was measured independently via quarterly resident surveys, which linked to an additional performance related payment. The survey results suggest Serco have provided consistent and satisfactory levels of service throughout the contract term and that these outputs have been well received by residents.
- 3.2 The principles of the contract were underpinned by a partnership style of operation, driven by an output and outcome specification. An output specification defines what is to be delivered, but not how it will be delivered. For example, rather than specifying how grass will be cut the requirement may be to manage growth to a maximum height of 100mm. Emphasis was placed on the contractor to self-monitor performance supported by the resident surveys.
- 3.3 The contract had reached a value of around £4m per annum. By the end of the contract (2024/25), that cost would have risen further with the application of annual indexation to around £4.4m, increasing further into 2025/26. As part of a savings review process a number of additional services were ceased, such as, seasonal bedding, hanging baskets and tree planting. In addition, there have been two significant changes to the contract in recent years. Firstly, the contract included the maintenance of highway trees and verges until the Agency Agreement with Surrey County Council ended on 31 March 2023. This element has been removed from the contract.
- 3.4 Secondly, a contract review was completed last year with cost reduction initiatives implemented from 1 April 2024. This reduces the annual contract value for 2024/25 to around £3.3m, achieved by moving some elements e.g. grass cutting, from an output-based service to a reduced frequency-based service. Officers have worked with Serco to develop frequency-

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based programmes and performance is being tracked at regular contract monitoring meetings with Serco, who are successfully delivering works to these agreed new frequencies.

### **4.0 Future Service Options**

- 4.1 The option to insource the service was considered. However, the market for the provision of these services on behalf of local authorities is well established and very specialised. Joint working was explored but no clear opportunities were available. Further consideration was given to procuring the services with separate 'lots' for grounds, streets and arboriculture. However, it was anticipated that there would be sufficient supplier interest to deliver a competitive single contract tender. Splitting services may lead to less interest from the market, potential disputes between suppliers as the performance of one can impact the other and increased administrative and management costs.
- 4.2 Officers were asked to continue with the existing approach, the services remain combined and outsourced to a specialised contractor by going out to tender for a new contract.

### **5.0 The Procurement Process**

- 5.1 The Council recruited a specialist technical consultant, Tetra-Tech, to support the development of contract documentation and provide guidance throughout the procurement. This has helped in part to counter a loss of key personnel during the process.
- 5.2 The primary aim of the procurement is to replace the current contractual arrangement in accordance with governing regulations, including TUPE and maintain the highest regards for Health and Safety standards in service provision. But there are complimentary aims which are;
- To market test the services so as to establish appropriate service levels that fit with within the context of a reduced budget.
  - To streamline the client function within the Council using up to date ICT provided through this contract.
  - To provide efficient and effective services that residents can access and use easily and efficiently, and which maintain residents' satisfaction.
  - Where affordable, to strive for environmental sustainability, low carbon operations and added social value.
- 5.3 The key procurement stages are summarised in sequence;

### **6.0 Soft Market Engagement**

- 6.1 A soft market engagement was undertaken ahead of commencing the procurement. This provided the Council with an opportunity to gauge interest and determine how to package the contract to appeal to the market. Five providers replied to a short questionnaire, meetings were held in May 2023 with each of the five service providers to talk through their responses.

### **7.0 Contract Documentation**

- 7.1 Salient points from the soft market testing were incorporated into the tender documents. With technical advice from Tetra-Tech the specifications were developed to include both output and input quality standards; output standards specify the minimum quality standards the tenderer will be required to achieve and where the tenderer is required to perform services in a particular way a specification is provided to allow tenderers to accurately calculate their costs. The key similarities / differences to the current contract are summarised below;

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### 7.2 Key similarities

- The contract continues to include key services for grounds maintenance, tree works, street cleaning and emergency flood support.
- The initial contract term will be eight years with an option to extend for a further eight years. The term length is driven by machinery and fleet lifespans which allow for the supplier's capital investment over the contract term (the tenderer is required to purchase and fund all vehicles and equipment).
- The current depot facility will be available to the tenderer.
- Sports pitches will continue to be maintained to relevant governing body's basic standards.
- Playground inspections and basic maintenance remains in the contract.
- The tenderer will be required to manage customer interfaces, including enquiries and complaints.

### 7.3 Key differences

- Maximum core contract cost of £3m for 2025/26, subject to annual indexation thereafter.
- Tree inspections are removed from the contract. A majority preference from the soft market engagement and provides a more transparent solution, rather than the contractor setting their own workload. The Council will directly employ a suitably qualified Tree Inspector (subject to TUPE) or employ a third party to undertake the inspections.
- The resident survey and additional performance payment mechanism is replaced with a suite of service relevant performance indicators.
- The service standards for street cleaning are specified and relate to the Code of Practice for Refuse and Litter (COPLAR).
- Amenity grass cutting is changed from an output specification to a frequency-based program.
- The contract includes a pricing schedule for its key services. This will enable Housing Services to more accurately calculate the cost of services and apportionment to the Housing Revenue Account.
- The cleaning of surface car parks is included in the core contract.
- The tenderers ICT solution will deliver increased functionality, improving the information available to residents, supporting self-service and allowing officers to undertake real-time monitoring of individual tasks and scheduled work programmes.
- Includes the delivery of environmental and social value proposals outlined in tenderers submissions.

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### **8.0 Affordability**

- 8.1 Setting a cost envelope lower than the current level of spend is not uncommon, but during the soft market engagement tenderers highlighted the need for the specification to be realistic and achievable.
- 8.2 With the support of colleagues in property, housing and green infrastructure, officers reviewed the Council's GIS mapping system for data accuracy. As the procurement documents and mapping data started to come together a review of costs was estimated. Tenderers were asked to submit a solution with a maximum cost limit of £3m per annum for 2025/26.

### **9.0 Route to Market**

- 9.1 Due to the complexity of the services involved and the need to negotiate and develop proposals, a two-stage Competitive Dialogue process, with dialogue prior to the initial tender was selected as best fit. This allowed the Council to refine its requirements with tenderers, meaning that the initial tenders are closer to the desired outcomes and the final tender could focus on refinements. This approach was supported by external procurement advice.
- 9.2 The OJEU notice and contract documentation was published via the Council's e-portal on 7 August 2023, inviting tenderers to participate in the procurement process.

### **10.0 Supplier Questionnaire**

- 10.1 A Supplier Questionnaire (SQ) was published as part of the documentation. Three tenderers returned the SQ and, following a review of their responses, all three were invited to participate.
- 10.2 From the soft market testing, the maximum number of tenderers was anticipated to be five. However, the current provider opted not to participate, explaining their business was refocussed on waste contracts. Another tenderer explained during the soft market testing that they may prioritise higher value bids. Three tenderers were considered sufficient for a competitive process.

### **11.0 Invitation to Submit Outline Solutions (ISOS)**

- 11.1 The three shortlisted suppliers attended an Open Day presentation on 25 September 2023, followed by the first round of dialogue sessions between 2-13 October 2023. Dialogue enabled each tenderer to develop and discuss their proposal with the Council.
- 11.2 All three tenderers submitted their Outline Solution bid by the 8 January 2024 deadline. The submissions were evaluated by a core evaluations panel consisting of three Council Officers and Tetra Tech. Specialist input was obtained from a wider group consisting of HR, finance, legal, procurement, planning, ICT and green infrastructure colleagues.
- 11.3 All three bids met the specification and £3m budget cap. As some method statements from the leading bid were only scored acceptable it was decided that the procurement should proceed to the second (and final) stage of dialogue and submissions.

### **12.0 Invitation to Submit Final Solutions (ISFT)**

- 12.1 The contract documentation was refined and reissued prior to the second (final) dialogue sessions held between 18-29 March 2024.
- 12.2 The final dialogue sessions were used to provide our evaluation feedback on the tenderers ISOS submissions, discuss the refined contract documentation and tenderers provided a demonstration of their ICT systems.

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12.3 Following the final dialogue sessions the contract documentation was refined once more, and all three Tenderers were invited to submit Final Tender (ISFT). Three bids were received by the 1 July 2024 deadline.

### 13.0 Evaluation of submitted bids

13.1 Each tenderer was required to submit nine method statements detailing how their bid would meet the requirements set out in Specification. To assist in evaluating quality, a weighting model was used to compare the various criteria by means of a points system.

#### The Method Statements and Weighted Scoring

No.	Method Statement	Points available out of 6,000 pts.
MS 1	Resources and methodology for street cleansing and ancillary activities	1050
MS 2	Resources and methodology for grounds maintenance and arboriculture activities	1050
MS 3	Management, monitoring and supervision including details re mobilisation	600
MS 4	Workforce matters including TUPE, Living Wage and Pensions	525
MS 5	Environmental policies	750
MS 6	Social Value	375
MS 7	Management / organisational structure	450
MS 8	Communication and Data	600
MS 9	Health & safety management	600

13.2 Each method statement was evaluated using a score range from 0 to 5 points in accordance with the description shown below.

#### Scoring Breakdown

Score	Description
0	Unacceptable – either no answer is provided, or the answer completely fails to demonstrate that an appropriate method is proposed to meet the Council's requirements.
1	Very poor – in the view of the evaluation team, the proposed approach is in large part not appropriate in terms of method or described very incompletely, giving rise to a high level of risk that it will not deliver the Council's requirements.

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2	Poor – in the view of the evaluation team, the proposed approach is, in important parts, not appropriate in terms of method or is described insufficiently fully, giving rise to a significant risk that it will not deliver the Council’s requirements.
3	Acceptable - in the view of the evaluation team, the proposed approach is broadly appropriate in terms of method but is lacking in some details required to demonstrate that it will fully deliver the Council’s requirements.
4	Good – in the view of the evaluation team, the tendered proposal is appropriate in terms of method and is described sufficiently completely to clearly demonstrate that it will fully deliver the Council’s requirements.
5	Excellent – in the view of the evaluation team, the tendered proposal is appropriate in terms of method and is described sufficiently completely to clearly demonstrate that it will fully deliver the Council’s requirements. In addition, the tender proposal significantly exceeds the Council’s requirements and offers added value.

13.3 Evaluators scored the quality submissions individually and then met as a panel to agree moderated scores for each method statement. A set of moderated scores was agreed with comments to support that score. The moderation discussions were overseen by the Council’s Procurement Officer. Finance colleagues checked the pricing submissions for accuracy, prices were compliant and slightly below the £3m price cap.

13.4 The evaluation model included a total of 10,000 points (6,000 for quality and 4,000 for price).

13.5 The highest scoring quality tender being awarded 6,000 points and the others awarded points on a pro rata basis in accordance with the following calculation: - (Tenderer’s Score / Highest Score) x 6,000.

13.6 The tender with the lowest price was awarded 4,000 points with each of the remaining Tenders was awarded points on a pro rata basis in accordance with the following calculation: - (Lowest AES / Tenderer’s AES) x 4,000.

13.7 The cost and quality scores were added together to provide a total score for each bid. The recommendation is for the Council to award the contract to the tenderer with the highest scoring bid.

### 14.0 Conclusions

14.1 The recommendation is for the Council to award the contract to the tenderer with the highest scoring bid as set out in the confidential report in Part II of the agenda.

14.2 If agreed, Officers will write to notify tenderers of the contract award decision. This will provide feedback on the tenderers’ submission, the tenderers score and the reasons for the award decision, in line with the evaluation methodology. This will commence the 10-day standstill period, a mandatory period between notification of the contract award decision and the contract award itself.

14.3 On completion of the standstill period the successful tenderer will commence mobilisation to ensure the services are ready to implement on 1 April 2025. Council officers will simultaneously support Serco’s exit plan and the new tenderers mobilisation.



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### 15.0 Corporate Strategy

15.1 The method statements were designed to evaluate how tenderers will deliver services within the context of a reduced budget and the challenges facing the environment. Furthermore, how the service procured will improve economic, social and environmental well-being, deliver social value, whilst maintaining the highest levels of health and safety.

### 16.0 Implications

#### Finance and Risk

- 16.1 The tender covers the maintenance and street cleaning services which come to an end on 31 March 2025, from a 22-year contract.
- 16.2 The Period 4 (July 2024) 2024-25 forecast spend is £3.344m against a budget of £3.223m, leaving a net overspend of £0.120m.
- 16.3 It is expected the 2025/26 cost will be around £3.133m, or £0.211m less than current contract costs. That will cause a favourable budget variance of £0.090m on the current budget.
- 16.4 In 2026/27, and each year thereafter, an estimated indexation of 4% (for 2026/27 (£0.125m) based on £3.133m contract value) will apply to compounded contract costs. That will mean there will be an adverse budget variance of £0.035K in 2026/27 (if the same budget as currently) and increasing each year.
- 16.5 Given increasing service demand and application of yearly indexation budget growth will be required to balance the budget.
- 16.6 The budget setting exercise for 2025/26 will be constructed to reflect the successful tenderers submitted price and the cost of delivering tree inspections separately.
- 16.7 Whilst tenderers are not solely reliant on the mapping data, they utilise various modelling systems and experience of other contracts, the accuracy of the Council's GIS mapping data was reviewed by officers. This will continue to be reviewed for accuracy throughout the contract to support future procurements.
- 16.8 It is possible that despite a successful procurement and recruitment of a competent contractor delivering services to the specification, residents' satisfaction may reduce where the new standards are reduced from previous. E.g. areas where grass cutting is undertaken less frequently. Where service standards are revised a clear communication programme will explain the new service arrangements.
- 16.9 If the contract award is delayed the Council may be unable to deliver the grounds maintenance and street cleaning services and fail to meet its statutory duties in terms of street cleaning standards and safety critical works such as play area and tree works.

#### Equalities and Human Resources

- 16.10 Regardless of who the new tenderer is, TUPE applies. The TUPE process (staff transfers) will be managed between the new and incumbent contractors. The successful tenderer has indicated that it will apply to be an admitted body of the Local Government Pension Scheme. This process was set out in the tenderers method statements and assessed by the evaluation team with support from HR colleagues.
- 16.11 It is proposed that the new contract continues to be managed by the Neighbourhood Team. Monitoring will be improved by the tenderers new ICT solution, which provides access to real-time data, helping officers to track the progress of planned works and review before/after

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photographic evidence for assessing service quality standards. The Neighbourhood Team and contractor will be trained to undertake street cleaning inspections in accordance with COPLAR.

16.12A Tree Inspector to be brought in-house (subject to a TUPE transfer – currently the position at Serco is vacant). Alternatively, this service will be contracted to a third party. The Council will continue with the licence for KaarbonTech, this is the arboricultural database currently licenced to Serco for recording all tree inspections and works, to ensure all historic data is retained.

16.13The service detailed within this report has been subject to assessment and officers believe that there are no adverse equality implications, the successful bid will ensure compliance with the regulatory requirements and promote equal opportunities for all.

### Legal

16.14The process was carried out in accordance with procurement regulations.

16.15Legal Services assisted with the preparation of the contract terms and conditions documentation, refinements to the documentation throughout the procurement, responses to tenderers questions and supported the evaluation process.

16.16The contract has been designed to enable the Council to continue to achieve its statutory duty in respect to cleaning standards and continue to provide safety critical works in respect to its sports, play and grounds facilities.

## **17.0 Engagement and Consultation**

17.1 Soft Market Testing was completed during April and May 2023.

REPORT ENDS