

REPORT TO EXECUTIVE

PORTFOLIO AREA: STRATEGY AND PERFORMANCE

Date of Meeting: 17th December 2001

Public

Key Decision:

Yes

Recorded in Forward Plan:

No

Inside Policy Framework

Title: COMPETITIVE TENDERING

Report of: DIRECTOR OF ENVIRONMENT AND DEVELOPMENT

Report reference: EN 186/01

Summary:

This report reviews the options for four existing 'contracts' for services which are scheduled to be re-tendered over the coming months.

Recommendations:

It is **recommended** that option 2 be adopted with the existing contracts extended until 31st March 2004, subject to the outcome of Best Value.

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1. BACKGROUND INFORMATION AND OPTIONS

1.1 Prior to the introduction of Best Value the Authority had subjected all the activities defined by legislation to Compulsory Competitive Tendering. In April 2000, when Best Value was introduced, all relevant contracts had been won in-house by either Carlisle Works, Leisuretime or the then Carlisle Homes. Each of these had differing completion dates and some of the contracts included options to extend their durations. The current position in respect of these, together with the associated issues is included within Appendix A.

2. One of the first defined activity contracts to subsequently reach the end of its initial contract period was Grounds Maintenance and the Director of Leisure reported this initially to Members in February 2001 (LCD 13/01). Subsequently this was referred to Policy and Resources Committee which resolved in PR 42/01(2):

"That all City Council contracts which were currently subject to CCT would be subject to Voluntary Competitive Tendering and that all contracts would be reviewed in the light of Best Value requirements."

When reconsidering the issue the Leisure Committee then extended the contract up to 31st March 2002 and beyond that date be the subject of Voluntary Competitive Tendering.

1.3 Other services originally embraced by CCT were the subject of BV reviews in 2000/1 include Waste Management (Refuse Collection and Street Cleaning) and Municipal Maintenance/Cleaning. In the case of waste management with the fundamental changes to the service brought about by the national Waste Management Strategy the approved improvement plan included extending the existing contracts. The Municipal Maintenance/cleaning review is scheduled to be considered by Overview and Scrutiny soon and again this review together with the outcomes of the Property BV review recommend an extension of existing contracts to enable a comprehensive review of assets, budgets and specifications. Leisuretime is currently undergoing an externalisation process following a BV Review, and similarly the Housing Management and Maintenance contracts are embraced within the current LSVT proposals.

4. The Authority has now moved to a more thematic basis for BV Reviews although a service specific review is being undertaken for Bereavement services in the current year. The remaining contracts such as highway and lighting maintenance are included in a thematic BV Review currently scheduled to commence in 2003/4.

The Executive approved a Procurement Strategy at its meeting on

15th October 2001.

5. From a 'contractor' perspective these existing contracts generate an annual profit to the Authority of approximately £750,000 (approximate average profit achieved by the DSO in each of the last five years). At the time of tendering the prices afforded the best financial value to the Authority and where contracts have been extended this has been on the basis of the original tender. Direct benchmarking is difficult to achieve on a like for like basis with other providers but there is no indication of any excessive costs.
6. An equally important consideration is the impact of LSVT and Leisuretime. These major organisational changes have prompted whole scale review of the Authority for which HACAS has been commissioned. The options for Carlisle Works were approved by Council in September 2001 which was to continue with in-house service provision for residual activities. However, there are elements of the Grounds, Highways and Lighting contracts currently funded from the HRA and these, together with other ancillary services, are currently being discussed with Riverside.
7. There are a number of former CCT contracts which fall to be re-tendered over the next 18 months – two years, and are unlikely to have been the subject of a completed BV Review, namely:

Grounds Maintenance

Highways Maintenance

Lighting Maintenance

In addition, whilst not a CCT defined activity Car Parking Management was the subject of VCT and is currently extended on an annual basis, with the CCTV monitoring having been added to this contract.

A decision is required in respect of these four existing contracts.

1.8 OPTION 1 – Retender each when existing contracts expire

Advantages:

- Ensures the Authority demonstrates value for money through a tendering process
- Provides opportunity to move to an outcome based specification.

Disadvantages:

- Contract price could increase
- Either contract period would need to be relatively short (up to two years)
- Or major changes required to absorb BV Improvement plan in mid contract would reduce control.
- Some costs in the tendering process.

OPTION 2 – extend existing contracts to enable impacts of organisation change/BV reviews to be absorbed***Advantages:***

- enables greater flexibility to review extent and boundaries of existing contracts
- provides a period of stability to facilitate organisational change
- secures an ongoing profit contribution (although reduced as a result of LSVT) from DSO.

Disadvantages:

- thematic BV reviews may not fully address specific service areas
- competitiveness not verified by tendering over that period.

2. CONSULTATION

1. Consultation to Date: Not applicable.
2. Consultation proposed. Not applicable.

3. STAFFING/RESOURCES COMMENTS

1. Resources would be required to progress the tendering process which would require existing staff to give the re-tendering a high priority.
2. Should the re-tendering option be pursued and any tenders won be external contractors then the TUPE transfer of relevant staff is likely. In this case the residual overhead costs would remain to be met by the Council.

4. CITY TREASURER'S COMMENTS

The extension of the contracts is commensurate with the budget process currently underway and envisaged to 31 March 2004, i.e. existing budgets plus inflation. Bearing in mind the potential volume and financial impact of other changes underway an element of stability in these service areas might prove helpful.

5. LEGAL COMMENTS

Not applicable.

6. CORPORATE COMMENTS

The paper was considered and supported by CMT at its meeting on 28th November 2001.

7. RISK MANAGEMENT ASSESSMENT

These are set out briefly in para. 1.8

8. EQUALITY ISSUES

Option 1 would require the Council's equality objectives to be incorporated within the tender documentation.

9. ENVIRONMENTAL IMPLICATIONS

Not applicable.

10. CRIME AND DISORDER IMPLICATIONS

The contribution of these services to crime and disorder priorities would be reviewed during the review of specifications within each option. These services make a significant contribution to the existing strategy.

11. RECOMMENDATIONS

It is **recommended** that option 2 be adopted with the existing contracts extended until 31st March 2004, subject to the outcome of Best Value.

11. REASONS FOR RECOMMENDATIONS

The advantages of option 2 outweigh those for option 1, whilst the disadvantages are not considered to have a significant impact.

APPENDIX A

CCT DEFINED ACTIVITY CONTRACTS

Housing Maintenance Contracts

Revised arrangements for all three contracts were agreed by Housing Committee on 10th August 2000 which will remain in place until stock transfer.

Municipal Maintenance

Existing contract expires in March 2002 although the service has been the subject of a BV Review.

Street Lighting

The contract is scheduled for re-tender but was delayed pending resolution of Highway Agency / claimed rights issues.

Grounds Maintenance

The existing contract has been extended to March 2002 with the preparation delayed due to uncertainties regarding LSVT.

Cemeteries

The contract expires in April 2003 and a BV is scheduled in 2001/2.

Building Cleaning

Embraced within a BV in 2000/1 the existing contract expires in June 2004.

Street Cleaning / Refuse Collection

Contracts embraced within the completed BV Review of Waste Management, the current refuse contract continues until November 2004.

Highways Maintenance

Service amended following Highway Agency / claimed rights issues. Current contract

expires June 2002.

Housing Management

The contract arrangements have been abandoned with the priority overtaken by LSVT.

Leisuretime

BV Review resulted in an externalisation process which will be completed in Summer 2002.